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|---|---|---|
| Austria ........ Sch22 | Indonesia ... Rp3100 | Portugal ..... Esc100 |
| Bahrain .... Din0.650 | Israel ......... NS3.50 | S.Arabia ..... Rls6.00 |
| Belgium ....... BFr48 | Italy ........... L1600 | Singapore ... S$4.10 |
| Canada ...... C$1.00 | Japan ........... Y600 | Spain .......... Pta125 |
| Cyprus ........ C£0.75 | Jordan ....... Fils500 | Sri Lanka ..... Rup30 |
| Denmark ... DKr9.00 | Kuwait ....... Fils500 | Sweden ..... SKr8.00 |
| Egypt ......... E£2.25 | Lebanon .. $L125.00 | Switzerland. SFr2.20 |
| Finland ..... Fmk7.00 | Luxembourg .. LFr48 | Taiwan ....... NT$85 |
| France ...... FFr6.50 | Malaysia .... Rin4.25 | Thailand ...... Bht50 |
| Germany ... DM2.20 | Mexico ....... Pes300 | Tunisia .... Din0.800 |
| Greece ......... Dr100 | Morocco ..... Dh6.00 | Turkey ......... L500 |
| Hong Kong... HK$12 | Netherlands... Fl3.00 | UAE .......... Dh6.50 |
| India .......... Rup15 | Norway ...... Nkr8.00 | USA ............ $1.00 |

# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

Ø No. 30,402 — Monday 30 November 1987 — D 8523 A


The Nile: Egypt's lifeline under threat, Page 23

World News

## France and Iran move to break deadlock

France and Iran appear to have made significant progress to resolve their diplomatic deadlock. It could eventually lead to normalisation of relations.

Concrete signs of a breakthrough emerged last night when Mr Wahid Gorji, believed to be number two at the Iranian embassy in Paris, finally agreed to be questioned by a French magistrate about the terrorist bombings which shook the French capital in 1985 and 1986.

Meanwhile, the French consul in Tehran appeared before a special tribunal there, according to the Iranian news agency. **Page 24**

### Polish turnout

A total of 55 per cent of the Polish electorate had turned out by 5 pm yesterday in the national referendum on speeding up the government's economic reforms as well as cautious political changes. Final results are expected this evening. **Page 2**

### Airliner missing

A South Korean airliner with 97 passengers and 20 crew disappeared over Burma during a flight from Baghdad to Seoul. Korean Airlines said the Boeing 707 lost radio contact as it approached Bangkok for a refuelling stop.

### Bodies recovered

In South Africa's worst air disaster, five bodies have been recovered from the Indian Ocean after a South African Airways Boeing 747 with 160 passengers and crew crashed in deep waters 130 miles north east of Mauritius.

### Ozal claims victory

Turkish Prime Minister Turgut Ozal said his conservative Motherland Party was heading for victory in the parliamentary election. He said results so far showed "we will be the party in power alone".

### Afghan rocket attack

Moslem guerrillas exploded a rocket near a hall in Kabul where the Afghan capital's Soviet-backed leader Najibullah was condemning the rebels during a Grand National Assembly. **Page 24**

### Diplomats strike

Italian diplomats worldwide are to hold their first strike today in protest against a proposed law allowing hundreds of junior Foreign Ministry staff to be promoted to the elite diplomatic corps. **Page 3**

### Air fare talks fail

Failure by British and Spanish foreign ministers to reach agreement over the disputed Gibraltar airport issue has imperilled the adoption of an air deregulation package by the European Transport Council. **Page 3**

### Soviet widow's plea

The widow of Nikolai Bukharin, the most famous Communist leader executed by Stalin in the 1930s, has written to Mr Mikhail Gorbachev, the Soviet leader, asking for her husband to be rehabilitated. **Page 2**

### Vatican Bank case

Milan magistrates have lodged an appeal with Italy's constitutional court against a Supreme Court decision to quash arrest warrants issued against Archbishop Paul Marcinkus, the chairman of the Vatican Bank. **Page 3**

### Albanian anniversary

Albania does not want to live in isolation and is interested in international cooperation as long as it is free of interference, the country's leader Ramiz Alia said on the 75th aniversary of Albanian independence.

### Ferry tragedy

Nearly 100 people were missing, feared drowned, when an overcrowded river ferry capsized after a collision about 100 km north of Dhaka, Bangladesh.

### Parisians protest

Tens of thousands of people marched through central Paris on Sunday to protest against racism and discrimination against immigrants.

Business Summary

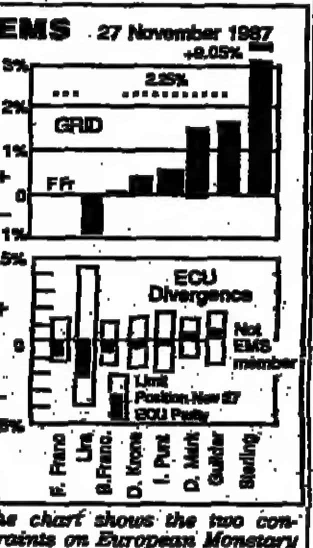
## OECD cash flow crisis looms after US cuts

**THE ORGANISATION for Economic Co-operation and Development**, the industrial countries' leading economic policy institution, could run out of cash next month as a result of the budget difficulties in Washington and long overdue payments from the US. **Page 24**

**EUROPEAN Monetary System:** Central banks acted last week to try to reduce the build-up of pressure caused by further dollar weakness. The West German Bundesbank cut its securities repurchase rate, the Bank of France responded with a similar move in its money market intervention rate and the Dutch authorities reduced several key rates, including the discount rate. Finally, the Belgian central bank cut its three-month Treasury bill rate.

These allowed the French franc a brief respite although pressure started to mount again on Friday, pushing the franc below the Belgian franc in the table, with the D-Mark finishing at its best level of the week.

The dollar continued to lose ground against the D-Mark and, in the absence of further progress towards implementing recently announced cuts in the US budget deficit, there were increasing signs that further cuts would be necessary to defend existing Ecu parities.




*The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross-rates from which no currency (except the lira) may move by more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (Ecu), itself derived from a basket of European currencies.*

**PORSCHE**, West German luxury sports car manufacturer, said its workforce would be on short time for part of next year because of a 30 per cent drop in US sales. **Page 26**

**BOFORS**, Swedish armaments manufacturer under investigation for weapons smuggling, has won a SKr220m ($35.8m) order from the Dutch Defence Ministry to modernise 60 40mm anti-aircraft guns. **Page 4**

**BANCO DE Bilbao**, Spain's third largest bank, postponed its decision on a public bid for control of **Banco Espanol de Credito (Banesto)** after the resignation of the latter's vice-chairman and chief executive. **Page 25**

**NEWS CORPORATION**, Mr Rupert Murdoch's Australian media company, is understood to be buying the **Fairfax** group's stakes in the domestic news wire service and **Australian Newsprint Mills** for A$275m ($191m). **Page 26**

**DRESSER INDUSTRIES**, US energy and industrial products concern, has signed a letter of intent to acquire **M W Kellogg**, specialist in the design and construction of petrochemical, refinery and other energy-related projects. **Page 26**

**AGENCE HAVAS**, French advertising agency privatised earlier this year, expects profits for 1988 to rise by around 20 per cent after an upgrading of earnings forecasts for the current year. **Page 27**

**MANNESMANN**, West German steel pipes and engineering group, reported a drop in profits for the first nine months. **Page 26**

# Haiti cancels elections as violence mounts

BY CANUTE JAMES IN JAMAICA

THE HAITIAN Government has cancelled the first free presidential elections in 30 years, due to be held yesterday, as violence intensified, claiming at least 27 lives on Saturday night and Sunday morning.

The cancellation of the elections is a victory for the army-dominated interim government which has been running the country since the Duvalier dictatorship collapsed last year. It dissolved the Independent Electoral Council, the body responsible for organising yesterday's poll.

In a decree read over national television, the National Governing Council accused the Electoral Council of action that "endangers the unity of the nation and invites the intervention of foreign powers in the country's internal affairs" and of violating even its own electoral laws.

Army officers, including Gen Henri Namphy, chief-of-staff, recently indicated that they had little intention of honouring a promise to give way to an elected government next February.

The cancellation of the voting followed increased violence in the Caribbean republic, with grenade and gunfire attacks on election offices by roving gangs. Between 15 and 20 people were reported killed on Saturday night and Sunday morning. Thirty people were confirmed dead in election-related violence last week.

Heavy gunfire was heard in the capital, Port-au-Prince, yesterday and the streets were deserted.

Voting had already been postponed in parts of the country because of attacks on voting stations and candidates. Two presidential candidates have been murdered in the last three months.

The violence is the work of supporters of former President Jean-Claude Duvalier, who fled the country in February, 1986, after a wave of popular protest toppled the dictatorship started by his father.

The gangs instigating the violence were organised by former members of the Tonton Macoutes - the militia created by the Duvalier family - and by members of the army. Hundreds of former militiamen have been secreted in the army during the past year, almost doubling its 6,000-man strength.

Members of the election council have frequently accused the

Continued on Page 24

Haitian soldiers enter a Port au Prince polling station where 14 people were killed yesterday during abortive presidential elections

# Latin debtor nations join forces to demand renegotiated terms

BY DAVID GARDNER IN ACAPULCO

LATIN AMERICA's biggest foreign debtors are to seek negotiations with their creditors in which they will demand sharply lower interest rates on their debts and cuts in debt service payments to reflect the diminished market value of their debt.

It is the first time Latin America's debtor countries have threatened, in a conciliatory tone but with unmistakable intent, to take unilateral action against creditors if their demands are not met.

This was the main outcome of an historic summit here of the presidents of the recently constituted Group of Eight - Brazil, Maxico, Argentina, Venezuela, Peru, Colombia, Uruguay and Panama - which has a collective foreign debt of over $350bn.

This is the closest the region has come to setting up a "debtors' cartel" since the foreign debt crisis broke in Mexico in August 1982. Since then, each country has negotiated individually with creditors, who have adhered tenaciously to a case-by-case approach to debtors' difficulties.

The Latin American leaders aim, in effect, to halve the burden of their countries' debt service.

The summit was the first in which Latin America's leaders had met to discuss their problems outside the confines of the US-dominated Organisation of America States (OAS).

These countries have taken the collective decision to seek radically improved debt service terms and to support each other if this leads to confrontation with creditor banks or Governments.

On the one hand they are calling for interest rates to be cut to the real levels of the late 1970s, when the US prime rate was around half its present level. It was then that the vast majority of the money now owed was borrowed and thus when the repayment flows were calculated.

The countries have also decided to insist on a debt service level which reflects the devaluation of the principal of their debt in the secondary market, where the paper of the large debtors - Brazil, Mexico and Argentina, which alone owe $270bn - sells at around half of its nominal value.

"The market says the Latin American debt is not worth $400bn, but $200bn. You have two ways of responding to it; reduce the interest rate or reduce the stock (of the debt). If we believe in the market, then why don't we follow it?," said Mr Enrique Iglesias, the Uruguyan Foreign Minister and former Head of the UN Economic Commission for Latin America.

President Raul Alfonsin of Argentina told his colleagues that he wanted the eight countries to adopt as their central negotiating demand a 4 per cent ceiling on interest rates, according to ministers attending the summit. He said, however, he would not insist on this demand if there was no clear majority in its favour.

The final agreement says the countries will show solidarity with other debtors which "could find themselves obliged to take unilateral measures" to get their debt service reduced to such levels which would permit renewed economic development.

Although the meeting's declaration - and the ministers themselves - are vague on what forms such solidarity would take, the summit was characterised by an almost self-conscious feeling of unity and an unusual clarity of strategy.

Mr Luiz Carlos Bresser Pereira, Brazil's Finance Minister, said there had to be a discount for the region's debtors. Speaking before leaving for New York and negotiations with Brazil creditors beginning on Tuesday, he said: "Can Argentina, Brazil and Mexico pay the interest on their debt at present rates and grow and have price stability? I say no; the banks say they can if you accept that these countries have to have growth and price stability then you have to have a discount on the debt"

The Acapulco Pact, also commits the countries to promoting a reconstruction programme for Central America to underpin the peace process there.

# Dollar may plumb new depths as fears grow

By Janet Bush in New York and Lionel Barber in Washington

**FOREIGN EXCHANGE traders are braced for a volatile week during which many expect to see the dollar test new lows as the US Congress starts to flesh out the agreement on cutting the country's budget deficit.**

**The dollar remained under pressure in weekend trading in the Middle East and on Far Eastern exchanges. It had closed on Friday at record closing lows in New York of DM1.6515 and Y132.45 and slipped further at the weekend against the West German D-Mark to test the DM1.65 level.**

**Friday's US market movements were ominous. Gold surged to its highest level for almost three years, the US Treasury bond market fell to its lowest level since October 21, two days after the major share price collapse on Wall Street, and the Dow Jones Industrial Average had its worst points loss for a week.**

**The perception is growing that there is not enough common ground within the Group of Seven industrial nations to prevent a further sharp fall in the dollar.**

**Mr James Baker, US Treasury Secretary, has made clear that he is not keen to take part in a Group of Seven meeting to discuss growth and exchange rates**

Continued on Page 24

# Bonn responds to critics with cheap credit

BY ANDREW FISHER IN FRANKFURT

THE West German Government is expected to approve measures this week aimed at stimulating investments in the sluggish domestic economy by making special cheap credit available.

Up to DM15bn ($9bn) of capital spending by local authorities and small and medium-sized companies could be encouraged through the new programme.

The first sketchy details of the Government's response to growing foreign and domestic criticism of its policies emerged at the weekend, along with rising speculation that the Bundesbank could also cut its discount rate on Thursday.

This key rate was last lowered, to 3 per cent, in January. It has only once been below this level, in 1959. Last week Mr Walter Seipp, chairman of Commerzbank, argued for a cut to 2.5 per cent in the interests of world economic co-operation.

The programme could be approved by the cabinet on Wednesday. This could then pave the way for a discount rate cut by the Bundesbank on Thursday, although Germany's central bank makes its decisions independently of Bonn.

The Bundesbank has already lowered money market rates with other European central banks in an attempt to check the dollar's fall and prevent an early realignment in the European Monetary System (EMS). But the US currency fell further towards DM1.65 on Friday.

Germany's latest trade figures,

Walter Seipp: defending rate cuts

showing a surplus of DM10.1bn ($6bn) in October, indicate the extent of continuing world economic imbalances. However, the surplus was down on the DM11.5bn of September, as imports rose faster than exports.

The Government has recently faced an unusual wave of criticism from German bankers and businessmen, irked at the apparent lack of policy-making initiative from Bonn.

Both Mr Edzard Reuter, chairman of Daimler-Benz, and Mr Eberhard von Kuenheim, head of the rival BMW car group, have called on Bonn to adopt a more growth-minded stance to prevent a further slowdown

# West German move threatens hopes for EC farm agreement

BY QUENTIN PEEL IN BRUSSELS

WEST GERMANY last night surprised the emergency talks of European Community foreign ministers called to prevent a deadlock at this week's EC summit in Copenhagen, by demanding the right to put an alternative package for agricultural reform directly to heads of government.

Mr Hans-Dietrich Genscher, the West German Foreign Minister, arrived at the talks in Brussels, insisting that there could be no question of trying to solve the stalemate reached by farm ministers last week in their efforts to agree on spending controls throughout the Common Agricultural Policy.

"We cannot expect to make progress where the agriculture ministers have failed," he told his fellow foreign ministers.

The hard-line German attitude immediately cast doubt on the ability of the foreign ministers, summoned by the Danish presidency of the EC Council of Ministers for a last-ditch bout of negotiations, to prepare a package of budget and farm reforms capable of being agreed at the end of the week by the heads of state and government.

The German plan would tackle the cereals glut at the heart of EC agricultural overproduction by paying to take land out of production through "set-aside" schemes, and through a levy on overproduction - rather than through the automatic price cuts currently proposed by the European Commission and the Danish presidency.

It was clear last night that all the major EC member states were refusing to budge from their positions in the debate, until the shape of the total budget reform package becomes clearer.

Sir Geoffrey Howe, the British Foreign Secretary, has come to Brussels in the opposite state of mind to Mr Genscher - ready to negotiate in detail on farm policy reform in all the individual sectors.

He reminded the other ministers that the EC summit in Brussels last June committed them to negotiating "stabilisers" in detail - with precise figures for production quantities and the penalties for overproduction.

Even on the broad principles of budget discipline - agreeing on a total cash limit for farm spending for the next five years - there remain wide divergences of view.

A major debate yesterday was on how to define the "exceptional circumstances" in which farm spending might exceed a preset growth rate linked tgo gross national product. The UK is prepared to accept that currency changes between the dollar and the European currency unit (Ecu) can be taken into account, but only if they exceed a 15 per cent margin.

That would mean extra costs of export subsidies to the tune of Ecu1.25bn before any extra cash would be forthcoming - against a French-Danish proposal putting the trigger point at Ecu500m. Others want a much broader definition of exceptional circumstances to include the need to resist international trade pressures, and weather conditions.

Another unresolved issue is how to deal with the huge backlog of food stocks - the cereals, beef, dairy and other mountains. The UK has proposed taking the cost outside the spending limits, in order to keep down the overall growth rate of farm spending below the growth rate of GNP.

Mr Jacques Delors, the president of the European Commission, which first advanced the entire package of budget reforms, urged them to try to agree some parts before they came to the summit.

On one key question - the Commission's proposal for an oils and fats tax to restrain costs in the oilseed sector - he was reported to have told the Ministers the idea was stillborn.

That will certainly please the US government, which has seen the plan as blatantly discriminating against imported soyabean and palm oil, but means that extra cash has to be found elsewhere in the budget.

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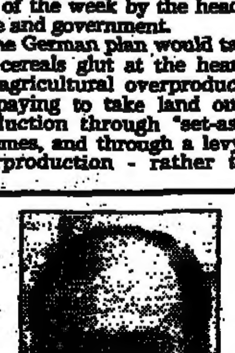

**THE MONDAY PAGE INTERVIEW**

**David Buchan talks to Peter Levene, Head of the Procurement Executive at the Ministry of Defence, Page 6**

# OVERSEAS NEWS

## White House in move to extend aid to Contras

BY LIONEL BARBER IN WASHINGTON

THE REAGAN Administration is sounding out key Congressmen to see if it can extend $30m (£16.6m) of requested *non-lethal* aid for the Nicaraguan Contra rebels to include helicopters and military training, according to reports in Washington.

At present, the US Congress is supporting the Contras with small blocks of non-military aid in an effort to avoid sabotaging the delicately-poised Central American peace plan which calls for negotiated cease-fires in Nicaragua, *El Salvador and the* region.

But US officials worry that the Leftist Nicaraguan government wants to spin out talks on a settlement and wait till the rebels' ammunition and morale run low. They want to keep up the pressure on Managua to negotiate with the Contras through renewed aid from Washington.

The New York Times reported yesterday that President Reagan's National Security Adviser, Maj.-Gen. Colin Powell, is leading the Administration's Contra policy and has recently *met several Congressmen who* are swing-votes on Capitol Hill.

The Times said a confrontation between the Administration and Congress could come in the week of December 7 when lawmakers consider a budget resolution to provide funding for the remainder of the fiscal year, through to *next September.*

US officials want new Contra aid included in that resolution. They may wish to force a vote since it would coincide with Mr Gorbachev's visit to Washington. Many Democrats would be reluctant to confront the President on a controversial foreign policy issue when the Soviet leader is on American soil.

## Israelis open fire on protesting Palestinians

ISRAELI troops shot and wounded at least four Palestinian youths yesterday during protests to mark the 40th anniversary of UN resolution calling for the partition of Palestine into Jewish and Arab states, Reuter reports from Jerusalem.

An army spokesman said two protesters were injured at the Balata refugee camp in the occupied West Bank, when dozens of teenagers hurled stones, tyres and raised *outlawed* Palestinian flags.

Another demonstrator, an 18-year-old Palestinian armed with a spiked iron rod, was shot and slightly wounded in the leg when he ignored army orders to halt outside the Balata camp near Nablus, the spokesman said.

The army clamped a curfew on Balata, where shopkeepers closed their stores to protest against the UN plan, adopted on November 29, 1947.

In the occupied Gaza Strip, soldiers shot a Palestinian youth in the leg in Rafah on the Egyptian border, state radio said.

## Reagan to urge end of two-term amendment

BY RALPH ATKINS

**PRESIDENT Ronald Reagan said he planned to campaign for the abolition of a constitutional amendment *that restricts a President* to serving two four-year terms**

**US presidents, like British prime ministers, should be allowed to "go on and on", Mr Reagan told David Frost in a interview for the BBC television's This Week, Next Week yesterday.**

**"Once I get out of the job, I would like to start a movement to eliminate the constitutional amendment," he said, *adding modestly:* "I wouldn't do that for myself."**

**The rule, which took effect in 1951, was introduced to prevent the abuse of power by long-serving leaders.**

**"It is the only office that is elected by all the people and it seems to me it is an interference with the people's democratic right that they are restricted and cannot vote for someone as often as they want to do that," he said.**

**The interview, which was recorded earlier this month, was shown in the same programme as interviews with two former White House incumbents - Mr Jimmy Carter and Mr Gerald Ford.**

**Mr Reagan said recent events on world stockmarkets were, "to a certain limit" a correction.**

**However, he thought there were reasons to be cheerful. "I think economically we have had the longest period of economic expansion in our nation's history," he said.**

## Renewed pressure on Waldheim to quit

BY JUDY DEMPSEY IN VIENNA

DR KURT WALDHEIM, the Austrian President, who is embroiled in a bitter controversy surrounding his wartime activities, is coming under renewed pressure to resign following reports that he was involved in deaths during the Second World War.

Dr Waldheim, the former UN secretary-general, has said that "all rumours of resignation are nonsense and unfounded".

The reports, published in the British newspaper the Sunday Express, say that Dr Waldheim was one of thousands of people placed on a list drawn up in 1949 *by the United Nations Commission* for Human Rights. The reports say that those on the list were apparently catalogued as persons who could be *prosecuted* because of their activities during the Second World War.

Dr Waldheim, who was elected president of Austria in June 1986, *has consistently denied the* two main allegations that he knew about or was involved in the deportation of thousands of Greek Jews from Salonika to the concentration camps as well as the murder of Yugoslav partisans.

To stem the growing controversy and criticism of Dr Waldheim who has been shunned by most Western governments, the *Austrian Government*, with the support of Dr Waldheim, set up an international historians' commission to investigate the wartime activities of the president.

In a move likely to embarrass the Austrian Government, Dr Waldheim said in an interview at the weekend with the Austrian daily newspapers Kurier and Kronen Zeitung that the decisions of the commission were "not binding".

He *said however* that he and the government would take the necessary conclusions from the findings. Dr Waldheim repeated that he would "vigorously" defend himself against any charges that he knew about war crimes committed by the Nazis.

Meanwhile the Socialist Party *and the Conservative People's* Party, which form the coalition government, are reported to be holding private meetings to discuss the "Waldheim affair".

Die Presse, the Austrian daily which has staunchly defended Waldheim in the past, reported

Kurt Waldheim

on Saturday that both parties are considering possible candidates to succeed *Dr Waldheim if he* did resign.

This is the first time Die Presse has ever mentioned the possibility of Dr Waldheim resigning. This suggests the climate of opinion may be slowly turning in favour of seeking some respectable way out of this situation.

**PA adds:** The British Government is coming under increasing pressure to act on the allegations that Dr Waldheim played a key role in the murder of British commandos.

Labour MP Mr Greville Janner is to raise the matter in the Commons after the opening of 40-year-old UN files on war criminals led to the disclosure of evidence *claiming that Dr Waldheim* lied about his Nazi past and the part he played in the murder of the soldiers, Jews and partisans.

Mr Janner, secretary of the all-party war crimes parliamentary group and MP for Leicester West, said the government no longer had any *excuse for keeping* its own files under wraps.

"Now that the truth is coming out about Waldheim, we want to *know the whole truth and nothing* but the truth since British prisoners were among those sent for extermination."

He plans to question Foreign Secretary Sir *Geoffrey Howe* and Attorney General Sir Patrick Mayhew.

## Air Canada to shut after deadlock with union

BY ROBERT GIBBENS IN MONTREAL

AIR CANADA'S domestic and international operations are to be shut down by tonight because of a deadlock in negotiations with the International Association of Machinists representing 8,500 ground workers.

The airline has told 9,000 flight attendants, pilots and ticket agents they will be laid off about mid-week.

The national airline locked out the ground workers on Friday in response to a national rotating strike called by the union, saying this would amount to full disruption and threaten safety.

The company says it is willing to return to the table, but the union has refused until Air Canada yields on the issue of using pension plan surpluses to index pensions to inflation. The company said this would amount to a blank cheque for C$70m (£33m).

Air Canada has nearly 60 per cent of the domestic market and Mr John Crosbie, Transport Minister, claimed that other airlines could pick up the slack.

The company has proposed pay increases of between 4 and 5 per cent over three years. The unions want 7.2 per cent in one year.

## Egypt permits PLO to re-open Cairo offices

BY TONY WALKER IN CAIRO

EGYPT yesterday in effect restored normal relations, which were suspended in April, with the Palestine Liberation Organisation.

Cairo ordered the closure of PLO offices because of its displeasure at a resolution of the Palestine National Council meeting in Algiers. The resolution expressed solidarity with elements inside Egypt opposed to the Camp David accord that led to the peace treaty with Israel.

A brief Foreign Ministry statement said: "It has been decided to raise the Palestine flag as of today on the headquarters of the PLO in Cairo." Dr Esmat Abdel *Meguid, Egypt's Foreign Minister*, conveyed the decision to the PLO's senior representative in Cairo.

Foreign Ministry officials said the decision was in harmony with the recent emergency Arab Summit in Amman whose final resolution enabled Arab states to resume full diplomatic relations with Egypt, broken off at the time the peace treaty was signed in 1979.

Egypt's decision to suspend formal relations with the PLO after the Algiers meeting, which saw a reunification of moderate and radical elements of the guerrilla organisation under Mr Yasser Arafat's leadership, did not prevent frequent contacts between PLO representatives *and Egyptian officials* in the meantime.

SHIPPING REPORT

## Rates firm for tankers loading in the Gulf

BY KEVIN BROWN, SHIPPING CORRESPODENT

RATES FOR very large crude carriers loading in the Gulf firmed last week, but brokers said the improvement was largely due to the two-day Thanksgiving holiday in the US, which compressed trading into three days.

Galbraith's, the London brokers, said Worldscale 49 was paid for a cargo of 270,000 tonnes from the Middle East to the US Gulf, and Worldscale 39 for 345,000 tonnes to the same destination.

Far Eastern charterers were said to be actively fixing vessels on a private basis, in addition to reported business, and rates were thought unlikely to ease in the short term.

There was also reasonable demand for medium-size tankers in the Middle East, and Worldscale 92 was paid for a cargo of 80,000 tonnes to East Africa, and Worldscale 90 for a similar-size cargo to Singapore.

E.A. Gibson Shipbrokers said there was renewed interest from Iran for a number of large vessels for six months' time-charter for both trading and storage.

Several major oil companies were in the market for both VLCCs and ultra-large crude carriers (ULCCs), offering further encouragement for owners.

One ULCC was booked at Worldscale 39 for US Gulf discharge with a one-point premium for UK/Continent, Gibson's said. Another major covered its 295,000 tonnes cargo at Worldscale 43.

Business was reported to be active in the Mediterranean, where most demand was for ships of around 80,000 tonnes, for which rates in excess of Worldscale 100 were being paid for voyages either across the Mediterranean or to the UK.

In the dry cargo markets, rates strengthened on the back of continuing Soviet demand.

## Poles turn out to vote on market reforms

By Christopher Bobinski in Warsaw

POLES YESTERDAY voted in the country's first referendum in over 40 years on a speeding of the government's economic reform as well as a cautious programme of political change which continues, however, to exclude any return of the banned *Solidarity trade union.*

Almost 27m voters were entitled to vote in the referendum which will be valid only if over 50 per cent turn out. The government also has to get over half of those entitled to vote to say "yes" to their economic programme, for the result to be binding.

*By afternoon yesterday*, the government spokesman, Mr Jerzy Urban, said 40 per cent had already voted and this implied the turnout will exceed 50 per cent. The results are expected today.

A negative vote, officials have said, would complicate talks planned for next year with the International Monetary Fund which is demanding the implementation of the market reforms as a condition for providing standby credits to help service Poland's $36bn debt.

People voted mostly on their way to or coming back from church. *Plainclothes police* kept a discreet eye on proceedings and riot police were placed on alert.

People at work have been told by their superiors they should vote. One young voter entering a polling station in a village outside Warsaw said he was voting because he was "*obliged to*".

Local voting figures are not be published which will make it impossible even to speculate about the veracity of the national results the authorities publish.

Polish TV and radio have also been hammering out a concerted message to get people to vote "yes" on the economic question, while the banned Solidarity movement has merely advised its supporters to ignore the event.

## Iran envoy to UN

*IRAN'S deputy Foreign Minister* for Economic and International Affairs, Mohammad Javad Larijani, will leave for the United Nations today to hold talks about a Gulf war ceasefire resolution, according to Tehran Radio, Reuter reports.

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# Gibraltar talks failure threatens air fares deal

BY TOM BURNS IN MADRID

FAILURE by the British and Spanish foreign ministers to reach an agreement in Madrid over the disputed Gibraltar airport issue at the weekend has imperilled the adoption of an air deregulation package by the European Transport Council when it meets in Brussels a week from today.

Sir Geoffrey Howe and Mr Francisco Fernandez Ordonez agreed after 10 hours of talks to meet again in London on Wednesday, together with the transport ministers of the two countries, in what will be a last attempt to reach a compromise before the transport ministers meet.

The deregulation package, which implies cheaper European air travel, was vetoed by Spain before the summer on the grounds that it refers to Gibraltar's Royal Air Force controlled landing strip as a British regional airport.

Spain contends that the airport, located on the isthmus that links the rock to mainland Spain, is built on what is juridically no-man's land under the terms of the 1713 treaty of Utrecht by which Spain ceded Gibraltar to the British crown.

Sir Geoffrey Howe: agreed more talks

The presence of the transport ministers at the London talks on Wednesday is aimed at reviewing the possibilities of a potential dual use by Spain and by Britain of the airstrip.

These include the building of a Spanish terminal for passengers arriving at Gibraltar and entering Spain rather than the Rock proper, Spanish assistance in the running of the airport and Spanish collaboration in its future development.

While there is a large measure of consensus between London and Madrid in these areas, despite widespread hostility on the part of Gibraltarians to any Spanish role in the airport, the real sticking point remains political.

Spain is understood to be demanding that any agreement should clearly state that Spain does not recognise Britain's sovereignty over the isthmus where the airport is located.

In theory, under the terms of the Single Act, the air deregulation package requires the endorsement of only a majority of the EC partners for its approval.

However, Spain could invoke the so-called Luxembourg compromise to exert a veto on the grounds that the adoption of the legislation threatens its vital national interests. This would in effect put cheaper European air fares on the shelf.

# Italian strikes renew calls for institutional reform

BY JOHN WYLES IN ROME

AN APPARENTLY endless series of Italian transport strikes in the run-up to Christmas is the dismal backcloth to a sudden flowering of political interest in reforms capable of raising the performance of government in the country.

Although there is no direct link between the strikes and talk of political reform, the Government's inability to respond to the the transport stoppages is seen as confirmation that it is one of Italy's weakest. While Mr Giovanni Goria, the Prime Minister, is trying to give leadership, his efforts lack the conviction of a leader enjoying the full backing of the five parties in his coalition.

In this situation, divisions between ministers are more difficult to contain. At the weekend, the Christian Democrat Mr Goria emerged clearly at odds with Mr Rino Formica, his Socialist Minister of Labour, over a proposed compromise to settle the pay disputes at Alitalia.

Mr Goria had Mr Formica's proposals blocked in a meeting of the inner cabinet on Friday evening and he then issued a statement on Saturday warning of the dangers of inflationary pay settlements. Government policy is to keep pay rises down to around 5 per cent and Mr Goria appears to have decided that Alitalia must be the battlefield for establishing this pay norm in the public sector.

This virtually guarantees further extreme daily disruption of Alitalia services until December 17, when seasonal goodwill is supposed to promise normal working. The next two weeks will also see further stoppages on the railways by drivers and other categories rejecting a pay deal struck by the official trade unions.

The strikes on the railways, which are highly subsidised and extremely inefficient, are coming to symbolise the cost the country is paying for poor standards of government and public services.

The disruption is helping to concentrate attention on possible institutional reforms, about which Italian politicians have been agonising for years without ever feeling under sufficient pressure to reach agreement.

Until now, the Communist Party has chosen to exercise powerful rights of veto over reform proposals, but the "line" was abruptly and significantly changed by a central committee meeting at the weekend. Having been dedicated since the spring of 1985 to trying to forge a socialist alternative to Christian Democrat hegemony, the party's central committee decided at the weekend that the priority for political action must now be institutional reform.

This suggests that the Communists may be ready to negotiate a reform programme with the other two main parties, the Christian Democrats and the Socialists. Both are beginning to appear more determined about reform, although there may be huge gaps between all three about what needs to be done.

A further call to order came on Saturday from President Francesco Cossiga who observed in a speech in Florence that faced with the deficiencies of their institutions "the Italian people ... feel the need for a more mature and wiser democracy."

● The Italian trade balance has registered a deficit of L9,360bn ($4.3bn) in the first 10 months of this year, compared with a shortfall of L3,900bn in the same period last year. The October deficit of L690bn followed a 10.6 per cent increase in imports and a 3.5 per cent rise in exports, the latter reflecting a slight strengthening of overseas sales in the second half of the year.

**MILAN magistrates have lodged an appeal with Italy's constitutional court against a Supreme Court decision to quash arrest warrants issued against Archbishop Paul Marcinkus, the chairman of the Vatican Bank, and two other bank officials, writes John Wyles.**

**The two magistrates who issued the controversial arrest warrants earlier this year claim that the article of the 1929 Lateran Pacts upon which the Supreme Court based its decision is in breach of the Italian constitution. They say that the constitution does not allow the judiciary to grant immunity from penal proceedings.**

Right: Archbishop Marcinkus

# Bukharin's widow in plea to clear name

By Patrick Cockburn in Moscow

**THE WIDOW of Nikolai Bukharin, the most famous Communist leader executed by Stalin in the 1930s, has written to Mr Mikhail Gorbachev, the Soviet leader, asking for her husband to be rehabilitated.**

**His rehabilitation would be welcomed by the Soviet intelligentsia as a sign that Mr Gorbachev is prepared to see a general re-examination of Soviet history.**

**Mrs Anna Larina, Bukharin's wife in 1938 when he was shot after a show trial, says in her letter published in the weekly Ogonyok that her husband had asked her to fight to establish his innocence.**

**She says that Bukharin, leaving home for the last time, "sensing he would never return, and having in mind I was still young, begged me to fight for a posthumous declaration of his innocence."**

**He also made her memorise the contents of a letter called "To a Future Generation of Party Leaders" in which Bukharin denounces Stalin and the purges. "I feel myself helpless before a hellish machine which has acquired gigantic power," Bukharin wrote.**

**Bukharin appealed to future party leaders "whose mission will include the obligation to take apart the monstrous cloud of crimes that is growing ever huger in these frightful times, taking fire like a flame and suffocating the party."**

**Publication of the letter, with a sympathetic accompanying article five pages long, appears to indicate that the decision to rehabilitate has already been taken.**

# EC to debate oils tax proposal

BY TIM DICKSON IN BRUSSELS

THE EUROPEAN Commission's proposal for a tax on vegetable oils and fats, which threatened to spark a major trade conflict with the US until it was blocked by member states in June, is to be thrust back on to the table at this week's Copenhagen summit.

Mr Frans Andriessen, the Farm Commissioner in Brussels, made it clear last week he is not prepared to give up his fight for the proposed measure, which has aroused widespread antagonism from consumer and food industry groups within the European Community and from key trading partners outside the EC.

Officials in Brussels appear to have been encouraged by an independent study carried out in Britain, France, Italy and West Germany which showed that even if the full consequences of the so-called "stabilisation mechanism" were transferred to the consumer, the impact on consumption in Europe would be limited. For example, the switch from margarine to butter would be at most 5 per cent.

On the other hand, consultations with a large number of EC trading partners, including Argentina, Peru and Chile, members of the ASEAN and ACP blocs and the US, demonstrated that all these countries still believe their exports of oils and oilfeeds to the Community would be hit.

Frans Andriessen: prepared to continue his fight

The Commission has now confirmed that it will reduce the tax on fish oils by 50 per cent and in a new departure, has hinted it will consider a similar concession for palm oil. Palm oil is imported into the EC at relatively low prices, notably from Malaysia, and would be disproportionately hit by a tax which would be applied at a fixed rate to all products (regardless of their value).

The Commission considers the oils and fats tax plan, expected to raise about Ecu 2bn for the Community budget in a full year, as a key complement to the restrictive price measures it is seeking for the increasingly expensive oilseeds regime (likely to top Ecu 4bn this year).

Without the tax, officials doubt whether the Mediterranean countries will be prepared to swallow the tough price medicine being proposed in the bundle of agricultural reforms known as "stabilisers".

As agreed in June, the Commission is to present the conclusions of its recent studies to the Copenhagen summit on Friday, though there is little expectation that those member- states most readily opposed to the tax - Britain, the Netherlands and West Germany - will drop their fierce opposition.

At the least, the Commission is hoping to highlight the budgetary consequences of ducking the proposal - the 1988 provisional EC budget has already been drawn up on the assumption that the measure will be approved and will pull in Ecu 2bn.

But as an official admitted over the weekend, the maximum which could now be raised if the tax was implemented immediately is only Ecu 1.3bn.

# Talks will seek freer insurance trade

BY WILLIAM DAWKINS IN BRUSSELS

EC TRADE and industry ministers are to come under pressure today to end a 14-year deadlock on sweeping plans to liberalise non-life insurance services.

A meeting in Brussels under the chairmanship of Mr Nils Wilhjelm, the Danish industry minister, is to consider a compromise prepared by Copenhagen which would dismantle trade barriers in a notoriously protected industry. It has a good chance of winning enough support for the scheme to be adopted in the first half of next year.

The scheme would allow insurers to do business in any member state without the need to set up offices there. It is strongly supported by the UK with its efficient and developed insurance industry.

If agreed, the proposal would cut insurance companies' overheads on their foreign business, offering the prospect of lower premiums for policy holders.

The non-life insurance directive is among 11 proposals to dismantle blocks to free trade between member states which ministers will have the chance to push forward today.

The Danish insurance compromise is aimed at balancing liberalisation against the need to have safeguards for small policy holders and to satisfy southern member states' fears of seeing their insurance markets over run by competition from London or Bonn.

Britain, West Germany, the Netherlands and Denmark are ready to support it, well short of the qualified majority needed to push the scheme through. A number of others, including France, are ready to lend their support in exchange for minor changes.

Originally put forward by the European Commission in 1973, the draft directive received a boost last year from a ruling by the European Court of Justice that West German, French, Irish and Danish authorities had contravened EC laws on free trade in services by insisting that foreign insurers must be registered locally to do business in their countries.

The most contentious issues at the session today will be the size of corporate policy holder to which the scheme should apply, and the degree of freedom to allow insurers.

Denmark is suggesting that liberalisation should apply in full only to policies held by companies with more than 250 staff and Ecu 12.8m (£8.8m) turnover, on the grounds that businesses below that size are less able to assess for themselves the risks of taking foreign policies.

Leaders hope to muster backing for policy of isolating Pretoria

# ANC seeks to boost faltering sanctions

THE AFRICAN National Congress and its supporters from inside South Africa and overseas meet in Tanzania next week to try to bolster the faltering economic sanctions campaign against the Pretoria government and to examine the policies the ANC hopes to pursue after apartheid.

"It's the first time that such a meeting has been organised by the ANC," said Mr Tom Sebina, an ANC spokesman, at the movement's headquarters in Zambia. "This is our own initiative and we hope it's not just going to be another run of the mill meeting condemning apartheid."

In the face of waning enthusiasm for sanctions in the West and in Africa, and increasing doubts about the benefits of the cultural boycott of South Africa, ANC leaders hope to use the conference in Arusha to muster support for their policy of isolating Pretoria. A recent setback for the sanctions lobby has been the decision by the West African state of Ivory Coast quietly to allow full landing rights to South African Airways.

ANC members are also attempting to defuse criticism that they have no definite political or economic plans for a future South Africa, only a vague commitment to socialism. Both the ANC and its partner, the South African Communist Party (SACP), have been agonising over the international shift away from central planning towards free enterprise.

"The flag which is fluttering bravely at the masthead in the Gorbachev era is the flag of reform, not of reformism," is the obscure message of the latest edition of the SACP journal, The African Communist. "South African revolutionaries must ask themselves what lessons they can learn from the Soviet experience... We have no doubt that both the SACP and the ANC will better be able to perform their leading role if they too include glasnost and perestroika in their vocabulary."

Another topic of discussion ahead of the politically important date of December 16 (the day the Afrikaners defeated the Zulus at Blood River in 1838 and the day chosen by the ANC to launch its armed struggle 26 years ago), is the ANC's attempt to step up its guerrilla war.

The ANC recently reshuffled the leadership of its military wing, but now finds itself up against a white government confident that it can crush opposition in South Africa's black townships after several years of unrest. One sign of that confidence is the recent release of political prisoners such as Mr Govan Mbeki, the 77-year-old ANC veteran, who may eventually be followed out of jail by Mr Nelson Mandela.

Oliver Tambo: a new opportunity

While pleased to see its leaders freed, the ANC is uncomfortable that the government has taken the initiative without making any major concessions or agreeing to negotiate a handover of power. The mere fact of the release of political prisoners in South Africa does not end the system of apartheid," says the ANC's Mr Thabo Mbeki, son of Mr Govan Mbeki.

The conference, attended by Tanzania's former President, Mr Julius Nyerere; Mr Oliver Tambo, ANC President; Mr Sam Nujoma, the Namibian nationalist leader, and representatives of South African trade unions, churches and political groups, will be another opportunity for the internal and external opponents of Pretoria to co-ordinate their strategies.

# S African township violence claims 7

**SOUTH AFRICAN police yesterday reported seven more deaths in the black townships of Pietermaritzburg, one of the highest one-day tolls in fighting that has claimed about 200 lives this year, AP reports from Johannesburg.**

**The police report, covering the 24 hours ending at daybreak yesterday, said the victims included two teenagers whose bodies were found in a dam near the city.**

**Three deaths occurred in a single incident when men with sticks and knives attacked a private car. An 18-year-old passenger was killed, and the driver fired on the attackers, killing two of them, police said.**

**The fighting is mostly between supporters of the broad anti-apartheid coalition, the United Democratic Front, and those of Inkatha, a political organisation headed by Zulu leader Chief Mangosuthu Buthelezi.**

**At stake is political control over the townships in the Natal provincial capital. The older and more conservative supporters of Inkatha, with their traditional loyalty to Chief Buthelezi, view the more radical members of the UDF as reckless and at least insubordinate.**

OAU will study numerous strategies, writes Patricia de Mowbray

# Africa's debtors seek a way out

AN ECONOMIC summit to discuss Africa's crippling $200bn external debt opens in the Ethiopian capital of Addis Ababa today, with delegates considering strategies which range from a 10-year moratorium to a proposal to convert government debt into long-term securities.

Members of the Organisation of African Unity (OAU), which called the special session, have before them a bleak set of statistics. According to figures from the United Nations' Economic Commission for Africa, the continent's debt burden, which has doubled since 1982, represents 54 per cent of GDP and almost 400 per cent of 1986 export earnings.

Individual country debt-service ratios - the proportion of export earnings required to pay debt commitments - now exceed 50 per cent on average, and are much higher for many low-income African states.

Creditors and African governments agree on at least one thing: without a substantial, co-ordinated effort, the already alarming debt problem will rapidly worsen. Economists believe the continued depreciation of the dollar in 1987 and quite possibly in 1988, compounded by depressed world commodity prices, will lead to a further deterioration in Africa's terms of trade - which have already declined 40 per cent since 1982.

Higher world interest rates, exacerbated by the impending bunching of Africa's debt repayments between now and the end of the decade, will mean that more countries on the continent will be unable to honour their foreign debt servicing obligations - which this year alone are estimated at $11bn.

The most notable plan to date for solving Africa's debt problem, put forward by Mr Nigel Lawson, the British Chancellor of the Exchequer, calls for the conversion of aid into grants, and the rescheduling of offical debt at lower interest rates, for up to 20 years, with 10 years' grace. Mozambique, Zaire, Mauretania and Uganda have so far benefited, but only from the extended maturities.

African governments have argued that while it is welcome, the Lawson initiative is inadequate. However, a complementary but more comprehensive plan which may offer a long-term solution for other forms of debt will be among the options that the OAU delegates might consider at their summit.

The plan is proposed by the African Development Bank, with the London merchant bank S.G. Warburg as adviser, and suggests that debt be converted into long-term negotiable securities at face value.

The bank's scheme provides for the repayment of outstanding principal and envisages a predictable annual stream of interest payments. Exisiting non-concessional and non-multilateral debt would be converted into securities of at least 20-year, single-payment maturity, carrying a fixed rate of interest, likely to be below the current market rate.

**Creditors and governments agree that without a co-ordinated effort, the alarming debt problem will rapidly worsen**

A fund would be created on behalf of the creditors, into which the debtor country will make annual payments of an amount sufficient to accumulate at maturity to the total of the securities outstanding.

The capacity of the debtor to meet obligations would be discussed with the creditors when the rate of interest is negotiated. Under the bank's proposals, part of the repayment would be paid semi-annually to creditors at a level which represented an agreed rate of interest. The other part would go into the redemption fund.

Within this framework, banks would also have the option of converting securities into approved investments in the country concerned; alternatively, they could choose a higher interest rate in exchange for reduced repayment of principal; or a shorter maturity by, for instance, allowing interest payments to be made into the redemption fund.

A board of trustees would be appointed to run the redemption fund on behalf of the creditors. It would include members of the World Bank, the International Monetary Fund, the African Development Bank, the various classes of creditors and the debtor-country itself.

This board would jointly manage the fund's assets, review the borrower's economic performance, and advise it on how to meet future financing requirements.

So long as the debtor continued to follow the policies agreed in consultation with the IMF and the World Bank, the African Development Bank believes multilateral agencies would remain sympathetic to the country's financing needs.

As a country meets its contractual debt service payments, its creditworthiness should be restored, thus paving the way, the African Development Bank believes, to resumption in lending by commercial banks and export credit agencies.

Conversely, if the government does not follow IMF and World Bank advice, the board could recommend to creditors that any disbursement of new funds to the country be withheld.

The African Development Bank argues that the scheme has advantages for all the parties concerned. Whether it wins the backing of African debtors will depend in part on the outcome of deliberations in Addis Ababa this week.



# Bangladeshi police 'kill 5 protesters'

BY OUR FOREIGN STAFF

REPORTS FROM India say police in Bangladesh killed five people when they opened fire and baton-charged anti-government pretesters yesterday.

More than 350 people have been injured in clashes with police in seven Bangladeshi cities, the reports, from the north-east Indian state of Tripura, said.

Four people were killed in Dhaka and the fifth in the nearby town of Narayanganj, the reports added.

President Hussain Mohammad Ershad declared a state of emergency on Friday night, saying the country faced internal strife, insecurity and economic problems following weeks of demonstrations.

Journalists in Bangladesh have been ordered to limit their reports to news issued by the government.

Although the main-line opposition alliances did not withdraw the announced programme of a 72-hour general strike beginning at dawn yesterday, near-normalcy prevailed in the capital, Dhaka.

Many rickshaws and some buses and cars were in evidence, while offices and banks were open.

Mr Anwar Zahid, Information Minister, briefing newsmen, said the prohibition orders issued under the Emergency Powers Act, 1974, would be strictly applicable to both Bangladeshi and foreign nationals working for foreign media.

The order prohibits the use of any "illegal and clandestine materials for purposes of newspaper reporting." "Legal activities" relating to normal functioning of the Government, economic and development activities, could, however, be reported.

Ironically, the Emergency Powers Act was passed by the late president, Sheikh Mujibur Rahman, in 1974. He was the father of Sheikha Hasina, one of the country's two women leaders spearheading the present anti-Ershad movement. Sheikh Mujib was assassinated by a group of army officers in 1975.

President Ershad is reported to have offered a four-point outline to the opposition for settling the current impasse.

The package, reports say, will include the holding of a general election at an agreed date, the appointment of a new chairman of the election commission on the basis of a consensus to ensure fairness of the polls, and the formation of an independent team of observers to oversee the election. The opposition accused the regime of rigging the May parliamentary polls last year.

Despite feelers put out to the top opposition leaders - Sheikha Hasina, of the Awami League, and Begum Khaleda Zia of the Bangladesh Nationalist Party (BNP), now under house arrest - no positive response has been received. Officials expect some development in the next few days.

# Jayawardene to meet on new electoral system

BY MERVYN DE SILVA IN COLOMBO

PRESIDENT Junius Jayawardene has called a special meeting of the Sri Lankan ruling party's parliamentary group today to discuss the proportional representation system he plans to introduce at the next elections.

Yesterday there were unconfirmed reports that at least 18 Tamil civilians died when they were caught in crossfire between Indian soldiers and Tamil rebels on the Jaffna Peninsula.

A Sri Lankan military official, who cannot be quoted under briefing rules, said nine Indian soldiers were killed a day earlier in a battle with rebels in the east. He said three others were captured and believed executed.

They said the Indian peacekeeping force also rounded up 300 Tamil youths - some as young as 12 years old - in and around Karaveddy, another Jaffna Peninsula village, in the past two days.

The President is obliged to hold elections only after violence ceases. The Indian peace-keeping force, now more than 30,000 is expected to "pacify" the north and establish a civil administration by the end of the year.

However, it is not the violence in the north that is Mr Jayawardene's main worry now. It is the widespread political unrest and violence in the Sinhalese south which is increasing popular demand for elections though the present parliament's term ends in mid-1989.

Under the India-Sri Lanka peace accord reached in July, Mr Jayawardene is obliged to hold elections to the newly-established provincial councils and devolve power to these assemblies.

Of the nine provinces, the Tamil north and the ethnically mixed east will be proclaimed one administrative unit to ensure the Tamil minority a semi-autonomous region for a one-year trial period.

Sri Lanka, which has had regular parliamentary polls every five to six years, had its last general election in July 1977. The first-past-the-post voting system gave Mr Jayawardene's United National Party a massive majority with about 52 per cent of the votes.

Elections that were due in mid-1983 were postponed by a controversial referendum held under emergency. The UNP's term of office was thus extended to 12 years. The UNP's main rival, the Sri Lankan Freedom Party (SLFP) has nine seats against the government's 140, though the SLFP won 30 per cent of the vote.

The second and final term of the 81-year-old president ends in December next year. He may now think it wiser to hold a general election while he is in office when he will be able to lead his party's campaign.

# Bofors wins Dutch order

BY SARA WEBB, STOCKHOLM CORRESPONDENT

BOFORS, the Swedish armaments manufacturer under investigation for weapons smuggling, has won a SKr220m ($20m) order from the Dutch Defence Ministry.

The order involves modernising 60 of Bofors' 40mm anti-aircraft guns, which have been produced under licence in the Netherlands since the 1950s.

As part of the contract, Bofors will install new hydraulic control systems and sensory ammunition capable of detecting heat from aircraft. With other improvements, the guns' firing speed should be increased from 200 to 300 shots a minute, Bofors said.

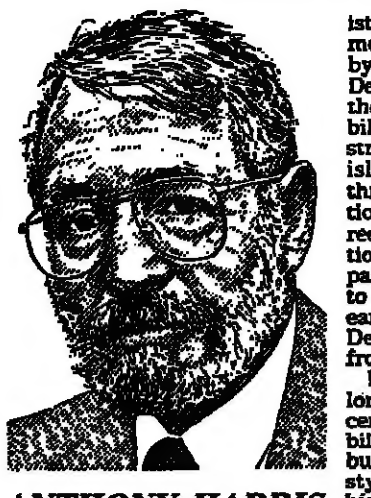
The Bofors 40mm guns are either used fixed, for example to a ship, or on wheels.

Bofors won the order against competition from Oernikon of Switzerland which has developed a 35mm anti-aircraft gun.

هكذا من الأهل


WELCOME
TO A WORLD
WITHOUT POLIO,
TETANUS,
DIPHTHERIA
AND MEASLES.
RHÔNE-POULENC

# When every day's Thanksgiving



ANTHONY HARRIS

AS EVERYONE knows, the US comes to a standstill for Thanksgiving, celebrated last Thursday, and so far as domestic policy-making is concerned, the break seems likely to go on until Thanksgiving, 1988. The Administration will no doubt propose measures of the kind approved by the Wall Street Journal, and a Democratic Congress will block them. Congressmen will propose bills, and committees will attach strange irrelevant clauses to legislation still working its way through the system. The intention is not to get results, but to record votes and stake out positions for the presidential campaign which now has only a year to run. It might have started in earnest a good deal earlier if the Democrats had a convincing front runner.

In the financial markets, too, a long lull in activity seems near certain. The crash has not immobilised takeover activity entirely but it has greatly cramped the style of the more aggressive, highly-geared players and virtually immobilised the risk arbitrageurs - the professional takeover speculators who have lent so much financial muscle to seemingly impertinent bidders. The arbitrageurs lost really heavily on October 19 and nobody's heart is bleeding.

Indeed, the non-financial business community has no doubt carved its Thanksgiving turkey with special relish this year. The hope of a long holiday from changes in the political ground rules and a respite from the high fever of the bull market will give business leaders a chance to concentrate on actually doing business. It looks at the moment like a very promising way of earning a living.

So far as manufacturing is concerned, the times are almost too good. It seems only a short time since every American business publication carried agonised cover-stories about *de-industrialisation*, or lagging productivity, or competitiveness. About a year ago the facts ceased to fit these worries, but general impressions have taken a good while to catch up, as they always do. (In the case of the British Labour Party, reality often seems to take years to filter through.)

Now every American commentator is aware that exports are growing at an annualised rate in the mid-teens and that profits are also rising strongly. Industrial output is growing faster than at any time since the first Reagan boom. This implies very good productivity growth - the "exact" figures, which are in any case inexact, are still to be worked out, but 4 per cent is probably a cautious guesstimate. Since real wages have actually fallen by a percentage point in the last year, the US would have gained 5 per cent or so in *competitiveness against stable-cost* countries in the last year even if the dollar had not fallen.

These trends are obviously too good to last. There is no sign yet of the British-style wage catch-up which many economists fear, but there are some ominous skill shortages. There is in any case a much more pressing inflationary threat - overheating.

This is already obvious here and there. Steel stocks are at a record low, the prices of some specialised chemicals were marked up by more than 10 per cent only last week, and some engineering order books are almost unmanageable. Deliveries are still being made at prices set during the manufacturing slump, but new orders are not. It is clear that there is an uncomfortable amount of the past represented in the current lowish inflation numbers.

*This situation raises two big* questions. How widespread is this shortage of capacity? And will investment rise fast enough to prevent really serious bottlenecks? Both these questions are complicated. It would be silly to offer even tentative answers at this point. The problems of making a guess should be old friends to those who worry about the British economy. Official measures of capacity utilisation are disbelieved because it is thought that they miss the permanent scrapping of capacity which occurred when the dollar was drastically over-valued. Investment appropriation figures are at best estimates and notoriously difficult to translate into added productive potential, let alone potential where it is most needed. Finally, some relief of demand pressure is expected from increased consumer caution after the crash - but nobody *knows how much.*

What is perfectly clear, though, is that the adjustment to better times is likely to be hampered by the financial past and by uncertainty about the political future. That is why the prospect of a long Thanksgiving is so welcome; but it may not be enough. The latest figures give some hope that industrial investment will not be unduly discouraged by the progressive removal of tax shelters set off by the 1986 tax reform, despite the warnings of a horde of lobbyists, supported by such distinguished academics as Professor Martin Feldstein, President Reagan's ex-adviser turned arch-critic. British experience after the equally criticised 1984 Budget suggests that these warnings are *overdone* but American industrialists, unlike their British opposite numbers, can expect a tax counter-revolution of sorts *before long.* This uncertainty is bound to be unhelpful.

The financial health of the corporate sector is equally un-British. While many UK companies were able to raise cheap equity capital during the stock market boom, the aggressiveness of US corporate raiders provoked a mass flight out of equity into debt. This equity-to-debt conversion now totals well over $300bn, a figure so large that it is difficult to take in.

The result is clear, though. Many American companies are too debt-ridden to invest as they might wish; and while the crash has reduced the risk of raids, it may also have depressed the market for the assets which they might wish to sell to pay off their debts. It is not just the US economy as a whole which is having to run pretty hard to service its obligations.

Of course many American companies are quite untouched by these problems, but those that are can be found in sensitive areas - steel and some chemicals, for example. Meanwhile Japanese and European companies (*pace* Volkswagen) are expanding aggressively in the US, a fact which may emerge as an uncomfortable campaign theme. So may lectures from Mr Lawson or anyone else about the need to raise US interest rates. Good performance, even assisted by a long Thanksgiving lull, is unhappily no guarantee of good temper.

INTERVIEW

# Business meets bureaucracy

## David Buchan talks to Peter Levene, the biggest buyer in UK industry

ARGUABLY, Peter Levene is the single most important man to British industry. The argument goes like this - Levene heads the Ministry of Defence's Procurement Executive. The PE spends £8.5bn a year on developing, buying and maintaining equipment for Britain's armed forces. This makes it and him UK industry's biggest single customer.

Arguably, too, he has done more to change the way the PE's 30,000 strong civil servants go about their business of placing 40,000 contracts a year than anyone since the central arms-buying organisation was set up in the early 1970s.

Internal signs of the changes wrought by this businessman-turned-civil servant are greater commercial sense and tighter cash management on the part of the PE, better flow of information and beefed-up project teams to supervise new weapons development. The external evidence is more companies competing for MoD contracts, of which more than 60 per cent were placed on a competitive, fixed price basis last year. Five per cent shaved off the price of new Vickers tanks. Nearly $100m lopped off Boeing's original offer of Awacs radar planes. And so on.

But there was argument of another kind, indeed a blazing political row, when Levene left the chairmanship of United Scientific Holdings, the defence group, to become Chief of Defence Procurement on March 19, 1985. Announcement of his appointment unleashed furious opposition, on the grounds of his salary (then £95,000, more than double what top mandarins were paid at the time) and of potential conflict of interest between his old job and new. Mr Neil Kinnock, leader of the Labour party, said the appointment "stank".

Many industrialists would have quailed at entering the civil service so high - he is effectively second permanent secretary at the MoD - even without the envy and suspicion surrounding his pay cheque and professional provenance.

But Levene does not admit to having had qualms. "I think if I had been offered the possibility of coming to this job blind - in other words if I had been running a company and they had said 'Would you like to come and be chief of defence procurement?', I would have been very wary. As an outsider, I would have had the view that here was an enormous government bureaucracy, and you're supposed to be doing a commercial job - how could I possibly cope with that?".

However, prior to March 1985, he had had a six months "crash training course" in the MoD culture as unpaid, but pretty well full-time adviser to Michael Heseltine, then defence secretary. It was during this time that Levene first showed his bent for reform by conceiving the idea of putting the Devonport and Rosyth naval dockyards out to commercial management. He modelled this scheme, realised in practice last April, on what he had seen in the US of "GoCos" - government owned, contractor operated munitions plants.

Once installed as CDP - as the military's love of initials labels his job - Levene had the good fortune to catch a favourable political wind for change, blowing not only from Downing Street but also to some extent from within the Heseltine MoD itself. "You must not run away with the idea that I came in and said the words 'competition and value for money' and everybody fell off their chairs and said 'Good Heavens, what a brilliant idea'.

"We have got some very able people who well understand it. They can only operate under the policy directives that they are given. Because of the constraints they had on them by the Treasury, and previous attitudes, they were not actually allowed to operate in a cost effective way", he says. He then describes, with relish, the saga of "annuality".

Arriving just a few weeks before the end of a financial year, Levene found his staff distraught that they were going to be caught seriously *underspent.* Coming from the outside, he couldn't understand the problem. Patient officials explained to him that a large chunk of the money would have to be returned to the Treasury. Their concern was redoubled when Levene said he wanted stiffer penalties for companies that did not deliver on time.

**• PERSONAL FILE**

**1941:** Born London.
**1951-60:** Educated City of London school.
**1960-63:** University of Manchester (BA Econ).
**1963:** Joined United Scientific Holdings.
**1968:** Appointed managing director USH.
**1981:** Appointed chairman USH.
**1984:** Special adviser to Defence Secretary and made a City of London alderman.
**1985:** Chief of Defence Procurement.

"Counter-productive", he was flatly told. If such penalties were imposed, "you have even more money, and an even bigger problem on your hands".

Negotiations with the Treasury, which had never been seriously pressed on the matter, eventually allowed the MoD to double its permitted carry-forward to 10 per cent of its budget. Last spring the MoD carried forward £600m. This amount is a possible measure of what the new procurement policies are saving the MoD. Levene has told Parliament he hopes to save around 10 per cent. But he admits overall savings are incalculable because what would have happened in the absence of contract competition can only rarely be quantified.

The carry-forward of cash, however, certainly reflects the impact of Levene's policy of tying interim payments to companies *more closely to their* achievement of contractual milestones.

The MoD, Levene points out, does not have a bank account or need to keep a smooth cash-flow position and therefore forgot, or never knew, that "in industry everything hinges on cash flow". The one way "to bring to the attention of the highest echelons of a company that things are not going well is by not paying it", says Levene. "This is why I coined the phrase 'using money as a tool'. Our biggest single weapon is cash".

But in some ways, Levene finds life at the MoD more exacting. In commerce and industry, "as long as you can make more good decisions than bad, be right more than you're wrong, you're probably OK. But if you're running a government department using public money, and you get 95 to 98 per cent of decisions right, no one is interested in that. They will take take the two or five per cent you get wrong, and say this is the most awful public scandal". He terms as "absolutely adequate" the scrutiny by the House of Commons Public Accounts Committee, which has levelled some sharp criticism of MoD mismanagement of expensive and troubled programmes like radar and torpedos.

The reverse side of this is MoD scrutiny of its contractors covering anything from inaccurate cost estimates to deliberate fraud. "Industry should know we are looking at this very carefully, and that it is not good enough to say that if someone deliberately has gone out of their way to mislead us on costs, the worst thing that can happen to them is to repay most of the extra money they got". But Levene is "not of the view that the great pastime of defence contractors is trying to cheat us".

Levene cites two landmark cases in his quest for competition. One was last year's competition for an airborne early warning aircraft, and the writing off of some £1bn spent on the GEC-led Nimrod programme in favour of buying the Boeing Awacs. The other, less public but of more private importance to him, was the competition to produce a new troop carrier. For, while he was still in industry, Levene had pushed for this to be put to competition, touting USH's Alvis subsidiary. It was put to competition. Levene, excluded for a year while CDP on any contract involving his old company, played no part in the award, which went to GKN, now building the Warrior carrier. "This was the first really large programme that used to be sole source", he says.

Levene has several targets to shoot at in the second half of his five-year contract. One is reducing the £1bn the MoD spends a year on servicing, maintainenance and reliability of equipment. A second is establishing a "proper customer-supplier" relationship between the MoD and its numerous research establishments. He ducks the current Whitehall controversy about the size of Britain's defence R & D effort and its possible drain on scarce resources, though he points to last year's UK arms exports of more than £5bn as substantial spin-off.

But it could be on the international scene that he makes his mark from now on. He has already got the French government to agree to join the UK in considering "cross-purchasing", whereby each country would buy a given piece of equipment off the other's shelf if that made more sense than developing it nationally from scratch. But it is on international defence collaboration, for which Levene takes over formal responsibility at the end of this year, that he has very distinctive views.

He regards himself as internationalist, speaking French, German and Italian and having run USH companies in West Germany, Singapore, Egypt and the US. He says Heseltine and Sir David Perry, the retiring MoD chief of collaboration, very properly focused on Britain doing more in foreign partnership. "But I don't want to treat collaboration as a religion, everything that is collaborative is good, and everything is non-collaborative is bad", he warns.

"We will look at each project, see who else is interested, look at their abilities compared to ours, look at their requirements compared to ours", he says, and decide to collaborate accordingly. If one country or another feels during a collaborative development that it is not going to work, "then it shouldn't be *afraid to say so*", just as governments sometimes have to scrap domestic programmes.

Following his "horses for courses" prescription, Levene cites last year's public failure by the UK, West Germany and Italy to co-develop the SP-70 gun as a project never properly managed by a "trilateral bureaucracy". He concedes that the new Eurofighter is so big, as was Tornado, that collaboration is inescapable. But on the NFR-90 Nato frigate project, Levene has been highly instrumental in stopping the UK joining in until a mismatch between ship and weaponry is resolved. "We are anxious to get our partners to agree on a procurement strategy which will be effective".

How lasting might the Levene procurement changes be? He certainly seems to have the necessary political backing at the moment. A defence industrialist remarked, around the time of the Westland saga and the Heseltine resignation, that Levene "might *have lost a master but has found a mistress*", meaning that in less than a year at the MoD he had impressed Mrs Thatcher, George Younger, the current defence secretary, and Lord Trefgarne, the minister for defence procurement, *give every appearance of* valuing his services, and to a large extent sharing his views.

Some industrialists carped at the outset that had Levene come from a company at the leading edge of hi-tech, which USH is generally not, he would have better understood the need for more flexible contract arrangements. But generally the industry has come to accept that living with Levene at home better suits them for the harsh world market outside. As for the MoD itself, Levene makes the point his five year term is twice the length of the usual MoD assignment. Thus, he will have two "*generations*" *of* civil servants to influence.

Perhaps one thing that could knock the Levene reforms off course would be the collapse or near collapse of a really big defence company under the weight of trying to fulfill a really big fixed price contract. This is just how the McNamara defence procurement reforms of the 1960s were reversed in the US by the near-collapse of Lockheed on its fixed price C-5 contract.

By the time he finishes at the MoD in March 1990, Levene will have chalked up considerable experience on both sides of the defence fence. Will he *return to* his old industry, after the compulsory two years in "purdah"? "I can't see myself marking time for two years, and in any case, after nearly 30 years in defence, something different wouldn't come amiss". His post as a City of London Alderman doesn't answer the question, because even if he becomes Lord Mayor of London that honour only lasts a year.



# A hint of pragmatism over Spycatcher

JUSTINIAN

ABSOLUTISM has never been a feature of the English legal system. Rather, the law operates through checks and balances in the search for a solution to competing legal rights and interests. But last week, in its final bid in the courts to have the publication of Spycatcher banned, the Government claimed that confidentiality for the knowledge of its secret services personnel was absolute. A secret service officer must for ever keep his lips sealed.

When pressed with the breadth of such a proposition, Sir Robert Armstrong, Permanent Secretary to the Cabinet and the government's spokesman on national security, made the most marginal of concessions. Only in the very last resort, he said, would it be proper for a secret service officer to go public. Only in the most exceptional circumstances, and for compelling reasons, could an officer reveal any confidential information about his work or the workings of the security services. *In short*, any malfunctioning in the secret service or illegal conduct by a member of that service should never be the subject of public knowledge, let alone scrutiny. Such misdeeds should be reported to senior civil servants or responsible ministers. If that failed to produce a satisfactory inquiry and necessary remedy, then, and only then could lips be unsealed.

It is the breathtaking insistence on such an absolute claim to confidentiality that lies at the heart of the proceedings before Mr Justice Scott for a permanent injunction to restrain the Guardian, the Observer and The Sunday Times from publishing the contents of Peter Wright's book Spycatcher, although the book has been legally published in Australia and the US and circulates with almost unrestricted freedom in this country. No one interested in Peter Wright's allegations can now be unaware of their general content. English judges normally favour pragmatism over principle in the resolution of legal disputes, particularly where the government is involved. That approach *usually* works to the benefit of government, in that it gives full weight to practical politics. For once, however, the Government is asking that principle should triumph over the practical in that however much the secrets in Peter Wright's book are now open secrets, the claim to confidentiality should result in no further publicity of those publicly known secrets.

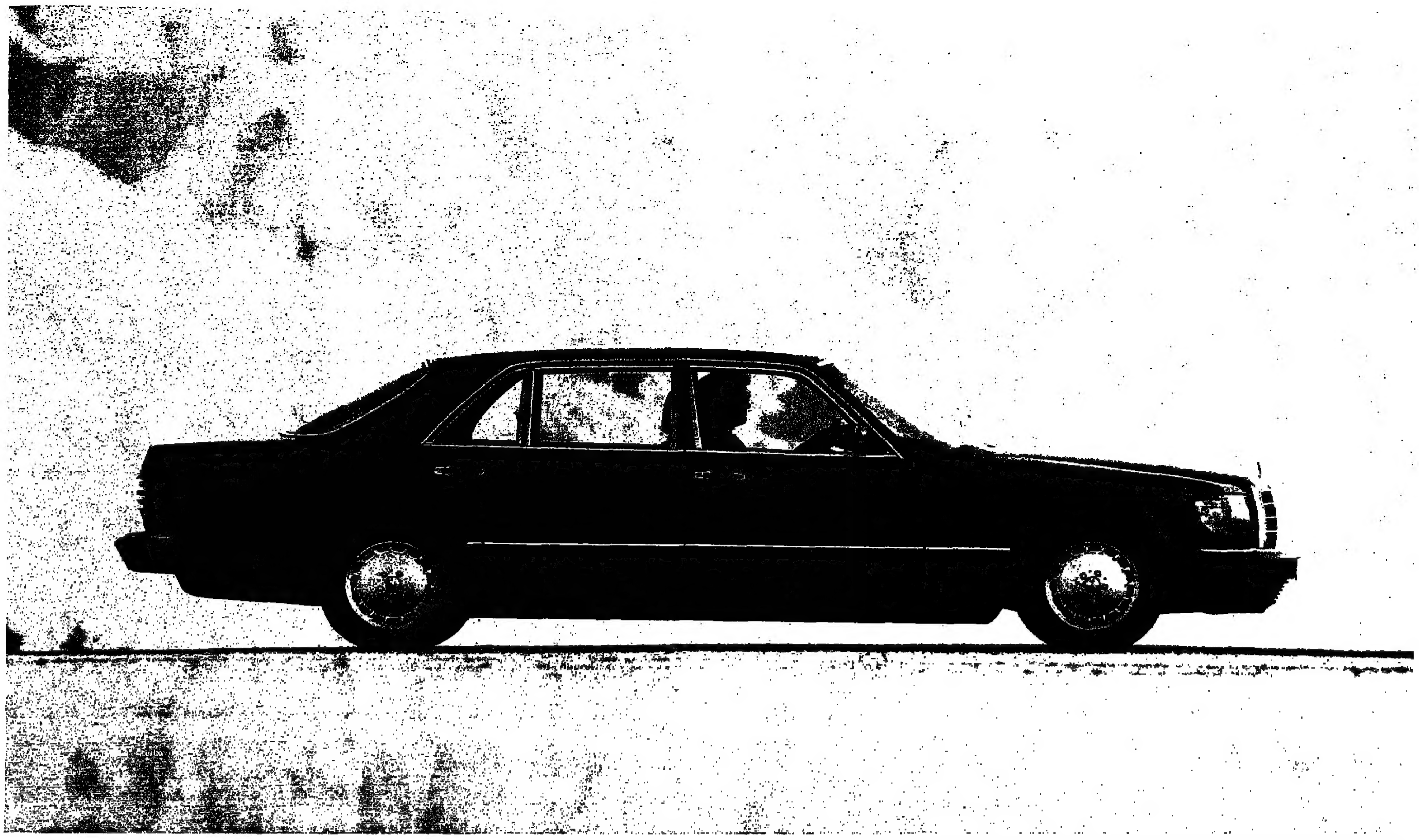
The case before the court itself focuses on an area of law that has been developing only in recent years. The courts have not fully worked out the rules that ought to be applied. It is one thing to put a dampener *on the individual in whom* a confidence has been reposed by an employer (whether it be a government department or a private corporation). It is altogether another matter to stop the innocent recipient of leaked, confidential information from publishing it. Here the law is at the crossroads of confidentiality and press freedom. Without any constitutionally guaranteed freedom of speech, English law has nevertheless been reluctant to engage in prior restraint. A newspaper may publish, and be damned; the law operates only to control after the event. Thus it is rare for a court to grant anyone who claims that he has been libelled an injunction prior to trial, if the alleged libeller is seeking to justify what he published. The courts decline to stop a repeated libel on the basis that that would involve an infringement of free speech. If the libeller ultimately proves that what he said was true, who should deny him the right to say it in the first place.

English judges, by and large, zealously guard freedom of speech and accord it *high priority* in the face of claims to silence the expression of free speech. It is only when national security is directly at issue that the tendency has been to reverse the competing claims. National security must in the final analysis oust the public interest in knowlege of the country's defences. If the government had been relying in the Spycatcher case on the Official Secrets Act as the basis for muzzling the media, the issue in the courts over Peter Wright's book would have been clear cut. The courts would have taken on trust the government's claim that any disclosure of information contained in the book would damage the country's security. So long as there was some evidential basis to suggest such damage, that would suffice. But in the Spycatcher litigation the government has specifically disavowed the application of official secrets and relied instead on he ordinary civil law protecting confidential information.

After Sir Robert had completed his evidence, the judge rescinded his earlier ruling that the newspapers could not report that part of the hearing before the court which revealed the contents of Peter Wright's book. Was this a straw in the wind to the court's final ruling? Strictly speaking, it had no direct relevance to the crucial issue. The judge considered that the balance of competing interests tipped the scales in favour of lifting the limited ban on reporting everything that could be heard by the public sitting in the court room.

The Judge's ruling to allow reporting of the proceedings may indicate a *leaning* towards the *Guardian* and Observer who seek only to be relieved of the restraint upon them reviewing and commenting on some of the matters in Spycatcher. The ruling may not, however, favour The Sunday Times which, having acquired the serial rights to the book, wants to publish great chunks of it, warts and all.

One senses that the pragmatic approach was beginning to surface. If it continues to influence the judge the government's adherence to the principle of absolutism will not win them the day.



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Many S-class drivers choose the slightly smaller 300SE. Its 3 litre, ohc, fuel-injected six propels the car to 62mph in only 9.1 seconds and to a top speed of 128mph. (Manufacturer's figures, automatic.) Completing the range are the 4.2 litre and 5 litre V-8's available in SE (short) or SEL (long) wheelbase versions.

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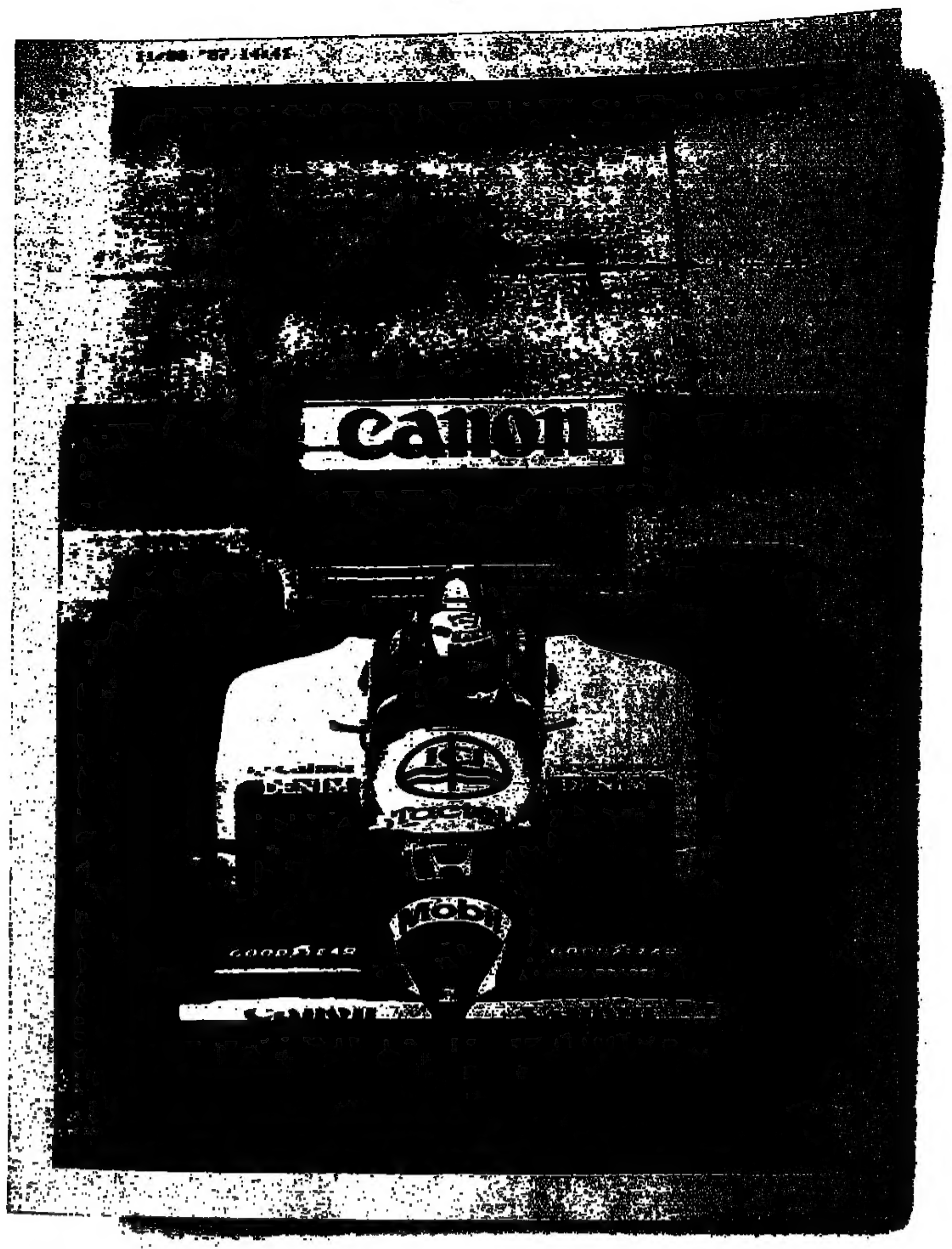


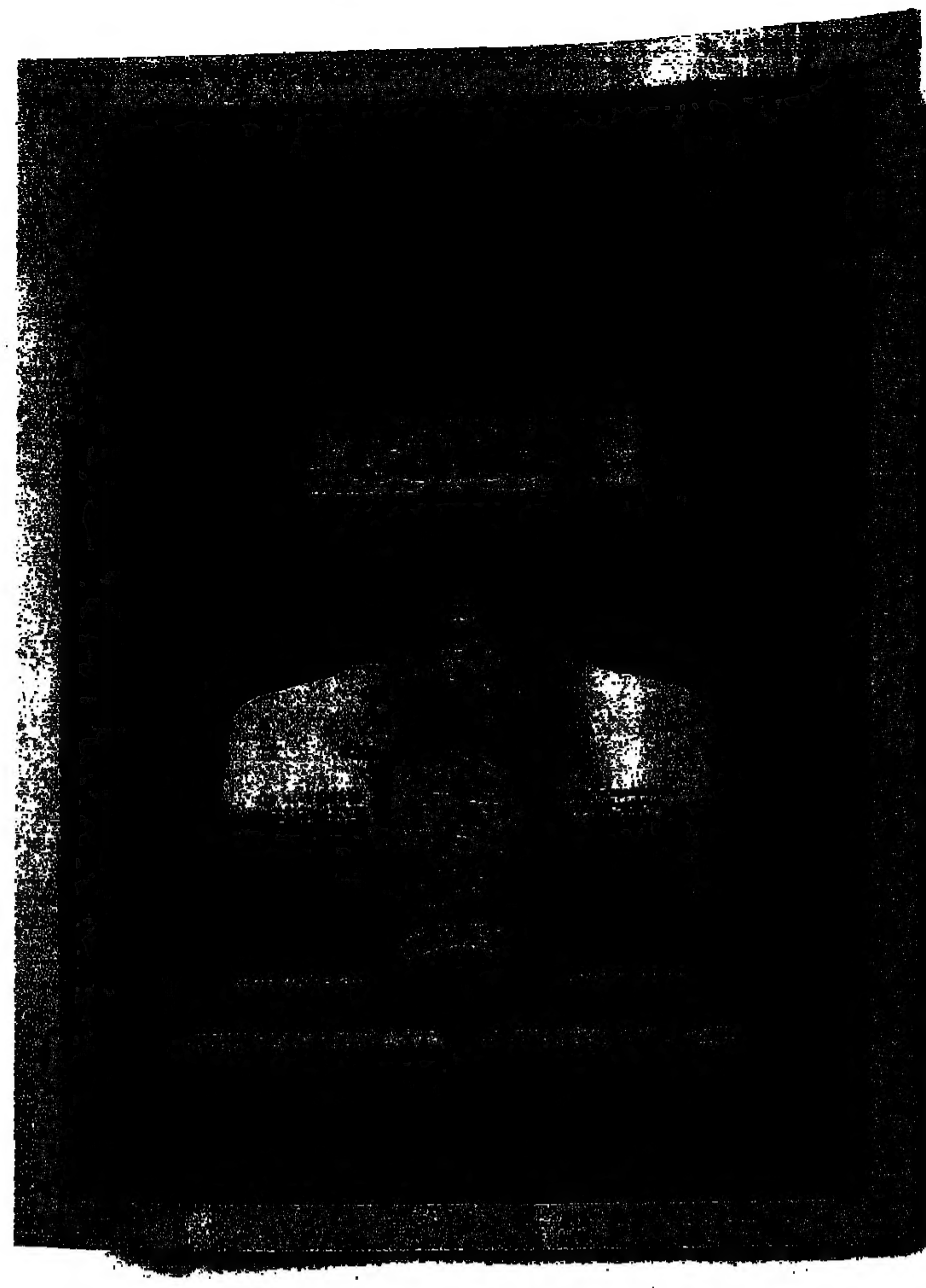

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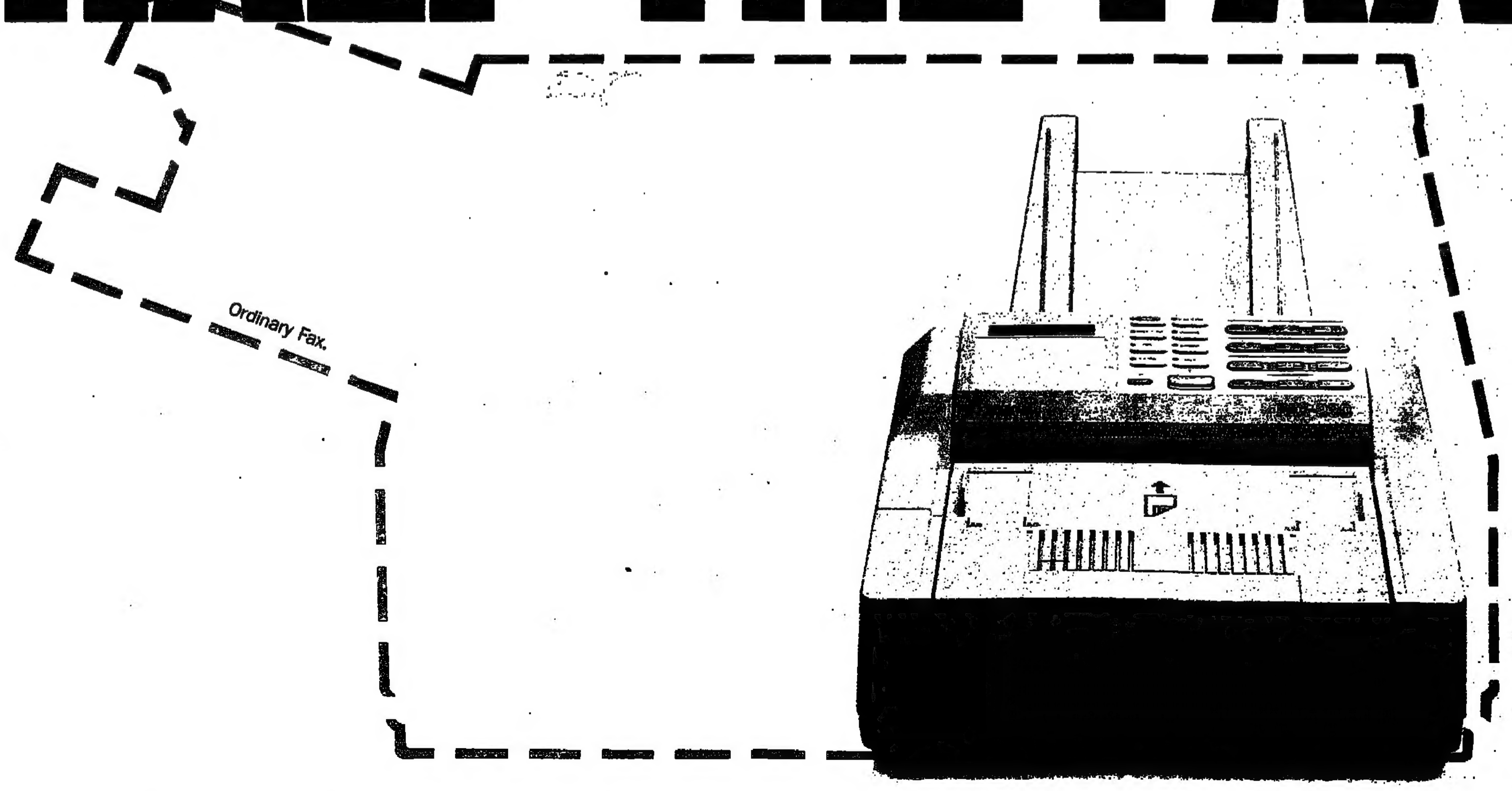


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# UK NEWS

## Regional aid to industry faces stricter tests

BY HAZEL DUFFY

THE GOVERNMENT is to increase the selectivity of regional aid to industry by assessing more rigorously proposals from companies requesting assistance to ensure aid is necessary.

At the same time, the Government is to place more emphasis on encouraging companies to start up and smaller companies to expand with the help of grants and business advice.

Furthermore, some inner city areas which do not presently qualify for regional assistance are likely to be brought within the aid net. No regions of the country eligible for government help will lose their eligibility.

The proposals follow a broad review of Government regional policy which was ordered by Lord Young, Secretary of State for Trade and Industry, as part of an assessment of all the department's policies. It is the first such review since the regional aid map was redrawn by Mr Norman Tebbit, then Secretary of State for Trade and Industry.

Lord Young has not yet decided whether or not to publish the review's findings as a White Paper (discussion document), but an announcement in the House of Commons is expected early in the new year.

The regional aid programme changes have been approved in conjunction with the Secretaries of State for Scotland, Wales and Northern Ireland.

The implications of the changes on the regional aid budget, which exceeded £600m in 1986-87, will become known in the January public spending White Paper.

Lord Young said recently that the programme will not be cut. It is not clear, however, whether this means that it will continue at its present level, or at the level to which it was planned in 1984 that it should fall. This would be about half the figure at which it is running today.

The department says the overspending is due to an unexpected bulge in the cost of replacing the old scheme, under which

Lord Young: aid where needed

regional development grants were awarded almost automatically to companies in development areas, with the present, more selective system.

The department may have to apply to the Treasury for additional funds for the present financial year.

The proposed changes in the regional aid programme will mean that the so-called "additionality" provision - whereby companies must show that their investment would not go ahead unless assisted - will be less generously interpreted.

Lord Young plans for the new policy be more sharply market oriented. The department's assessment of companies' investment proposals will, for example, seek evidence that Government aid will result in better quality and design of products.

Lord Young wants aid to be more closely directed and delivered more effectively to those who will really benefit. This will be achieved in England through local agencies, not necessarily the regional Department of Trade and Industry offices, but organisations like English Esates and possibly regional enterprise and venture capital funds. The aim is to include the private sector in the exercise as far as possible.

## Girobank privatisation considered

BY RAYMOND SNODDY

THE GOVERNMENT is examining the possibility of privatising Girobank, the Post Office bank which has more than 2m personal accounts and made profits last year of £23m.

Girobank became an obvious target to join the Government's privatisation list earlier this year when Mrs Margaret Thatcher, the Prime Minister, ruled out the privatisation of the Royal Mail but not of other Post Office activities, mainly Girobank and counter services.

Sir Bryan Nicholson, the chairman of the Post Office, on his first day in office in October dropped the body's opposition to piecemeal privatisation.

At the end of last year Sir Ron Dearing, then Post Office chairman, appealed to the Government to keep the business as a single unit if any privatisation was planned.

The Government would clearly like to privatise Girobank, which has increasingly diversified into providing mortages, insurance and corporate finance. But while Whitehall is also looking at the future of Post Office counter services, considerable practical problems are involved.

Unlike the successfully privatised TSB, Girobank has few retail outlets separate from the national chain of post offices.

Ministers will, therefore, have to decide whether to privatise two otherwise fairly dissimiliar businesses - Girobank and Post Office counters - as a single unit.

If Girobank were to be privatised without the Post Office's counter business, the framework for a commercial relationship between the two organisations would have to be set out.

The Department of Trade and Industry said yesterday that no decision had yet been taken on "when or if" Girobank would be privatised.

The Post Office said it had no knowledge of any decision on the matter, although it is clear the body has held informal talks on privatisation with trade department officials.

●British Steel Corporation's expected announcement this week of profits of over £200m in the half year to September is expected further to boost steel privatisation plans.

The Government has already decided that British Steel should be privatised before the next general election and the company's is eager to win control of its own destiny as soon as possible.

Steel privatisation is, however, likely to require legislation and it is difficult to see how this could be fitted into the parliamentary timetable before 1989.

## Review of mergers policy may lead to cut in inquiry time

BY PETER RIDDELL, POLITICAL EDITOR

CHANGES IN the official handling of mergers to shorten the time taken by inquiries are being considered by trade and industry ministers, following a report by management consultants Ernst and Whinney.

The report, submitted a few weeks ago, covers the statutory procedures for dealing with mergers by the Office of Fair Trading, the Monopolies and Mergers Commission, and the Department of Trade and Industry.

It focuses on various ways for reducing the time of investigations and for increasing flexibility in dealing with mergers.

Ministers are considering, among other options, shortening the inquiry timetable and altering the balance of statutory responsibilities of the OFT and MMC.

These changes may require legislation, particularly if the time of inquiries were to be cut below three months.

In parallel with the Ernst and Whinney report, a broader inquiry into competition policy is nearing completion which considers possible changes in the law on restrictive trade practices to ensure greater competition and the elimination of entry barriers, notably in the professions.

The review, prepared by Mr Hans Liesner, a senior DTI official, has apparently identified significant flaws in present legislation. The Government is planning a consultative document next year on proposals for far reaching reform with a lengty bill later in this parliament.

Lord Young, the Trade and Industry Secretary, is likely to make a statement on all these points in the new year.

He has already announced, in a speech last month, the interim conclusions of the Liesner review - in particular that the so-called Tebbit rules (after the then DTI Secretary) of July 1984 should continue to apply.

These state that the main, though not exclusive, consideration in deciding whether a merger should be referred to the MMC should be its potential effect on competition, taking full account of the international context.

Lord Young stressed that the discretion to refer mergers to the MMC on public interest grounds should remain, but he argued that this intervention should occur only when there is a divergence between the priorities of decision makers in the market and the public interest.

## Building society raises London pay differential

BY DAVID BRINDLE, LABOUR CORRESPONDENT

THE NATIONAL & Provincial Building Society has further fuelled the UK's overheated south-east labour market by agreeing a special allowance of up to £3,450 a year for staff working in central London.

The move trumps the £3,000 allowance introduced earlier this year by the commercial banks. Pay analysts expect the trend to keep spiralling upwards.

They say employers are prepared to continue out-bidding each other for staff and are resigned to the cost of raising London "weighting" payments two or more times a year.

Incomes Data Services, the pay research group which today reports the National & Provincial move, has scrapped its cost-based weighting index because it says employers believe the local labour market has eclipsed cost factors in determination of London allowances.

National & Provincial has taken up the pace from a relatively low base of only £1,656 in inner London until three months ago.

*Labour Market Supplement; IDS Report 510; IDS, 193 St John Street, London EC1V 4LS; by subscription.*

## Employers to be tough over company pensions

BY ERIC SHORT, PENSIONS CORRESPONDENT

MOST employers intend taking a tough approach towards employees who exercise their right to leave, or not join, their company pension scheme, according to a survey published today by the Confederation of British Industry.

Under the 1986 Social Security Act, employers will from next April no longer be able to require employees to belong to the company pension scheme.

Employees who opt out thereafter will typically lose the lump sum and disability benefits provided with company pensions and their dependants will lose the right to benefits from the scheme.

Companies will also typically not make any contribution above the legal minimum towards any personal pension arrangement set up by these employees. There will be only limited opportunities for employees to rejoin pension schemes.

The CBI surveyed 260 member companies with an aggregate of 2m members.

*Meeting the Challenge in '88 - The CBI Survey of Company Pensions Policy; CBI, Centre Point, 103 New Oxford Street, London WC1A 1DU; £15 (£10 CBI members.)*

# Selective entry 'possible for opt-out schools'

BY JOHN HUNT

MR KENNETH BAKER, the Education Secretary, made clear yesterday that, under his proposed education reforms, schools that opted out of the local state system would be able to apply to have a system of selective entry based on ability.

Applications entailing fundamental changes in the character of a school could not be made within the first five years of the new Education Bill becoming law but, after that period, governors and parents at comprehensive schools would be able to apply to make such changes, he said on London Weekend Television's Weekend World programme.

The critics of the bill, which is awaiting second reading in the Commons, will see this as an admission that the Government intends to reintroduce selective grammar schools by a backdoor method.

Mr Baker said if a school that opted out wished to come foreward with a proposal to change its character, this would have to be widely publicised locally for discussion. The application would then have to come to him for a decision, but he would not be prepared to consider such applications within a period of five years.

Asked if he would be prepared to consider such an application, he replied: "Yes, indeed."

He insisted, however, that many schools would wish to remain comprehensive and others might wish to become technical schools. If a school did want to become a selective school it would become a public matter and would have to be examined. He would have to look at it against the local background.

Mr Baker also said that under formulae now being worked out it might be possible to give special financial assistance to schools in difficulties as a result of the new system. These would be schools that faced falling rolls as a result of pupils leaving for more popular schools.

Kenneth Baker: prepared to consider changes in systems

# Food and hotel bill malpractice 'rising'

OVERCHARGING AND credit card malpractices by hotels and restaurants are increasing, especially in London, an Egon Ronay guide claims today.

Over the last year, guide inspectors "have been victims of a growing conspiracy between hotels and restaurants and the card companies to cut corners on the way transactions are handled," says Mr William Holden, publisher of the 1988 hotels and restaurant guide.

"Inspectors have to rely on credit cards. Try finding the cash to meet a £290 bill for an overnight bed, breakfast and dinner for one at a London hotel.

"Hotels are becoming more aggressive. Time and again on checking in we have had demands not only to hand over our card for an impression, but also to sign a blank slip.

"The card companies are becoming equally careless with our cash. Card slips are being altered after the holder has signed and these are being accepted by the card companies".

Overcharging by hotels and restaurants was another problem.

*Egon Ronay's Cellnet 1988 Guide to Hotels, Restaurants and Inns. Automobile Association. £9.95.*

# Labour to curb hard left Young Socialists

By John Hunt

A SWEEPING campaign to curb the influence of the hard left in the Labour Party Young Socialists movement has been launched by Mr Neil Kinnock, the party leader, and his supporters.

Mr Andy Bevan, 34, the party's left-wing National Youth Officer, is to be relieved of his responsibilities and moved to another post at Labour's headquarters.

The Young Socialists' annual conference, scheduled for next Easter, has been cancelled. In its place a programme of events for young people in the party is being organised.

The movement's newspaper, Socialist Youth, has been stopped. It will be replaced by a youth bulletin.

The move will be welcomed by moderates in the party who see the Young Socialists as an increasing embarrassment and claim that the movement is dominated by members of Militant and other extremists.

The decision was taken at a meeting of Labour's National Executive Committee last week when only a handful of left-wingers voted against it.

The NEC was influenced by evidence that two Young Socialists were attacked and badly injured at the movement's annual conference in Blackpool earlier this year.

The two members opposed Trotskyists being members of the party. Their attackers were said to be wearing Militant badges.

The decision to "purge" the Young Socialists is part of the continuing reforms in the party intended to rid it of its extremist image and make it acceptable to a broader electorate.

Mr John Prescott, Labour's energy spokesman, is coming under increasing pressure to to abandon any idea of challenging Mr Roy Hattersley, shadow Home Secretary, for the deputy leadership of the party.

Mr Kinnock has made known his strong opposition to a highly publicised battle for the post. Mr Prescott is considering the strength of his backing.

## David Churchill reports on a £25m facelift for British Airways club class service

# Aiming to attract the business traveller

BRITISH AIRWAYS is today launching a £25m reorganisation of its worldwide business class facilities in the hopes of increasing its share of the lucrative and increasingly competitive - business travel market.

The present "club class" systems will be replaced in January by two categories - Club World for long-haul flights and Club Europe for short-haul destinations. This will involve fitting all BA's Boeing 747 and TriStar fleet with different seats which, it claims, are equivalent in comfort to first class seats of the early 1980s.

The move is the first step in a relaunch of all BA's passenger sectors as part of a marketing structure introduced over the past 18 months to identify the airline's strengths and weaknesses.

Sir Colin Marshall, BA's chief executive, said: "We are starting to understand what our customers actually want and what really pleases them."

The airline's decision to revamp its business class facilities first came as a result of two factors. First was the need to stay competitive with other airlines catering for business travellers.

One in four of BA's passengers are business executives who spend a total of £1bn a year with the airline. More importantly, business travellers are frequent fliers. Research shows that they fly on business over 20 times a year, on at least three different airlines. Typically the business traveller is male - although the number of women travellers is increasing rapidly - earns more than £35,000 a year and is aged over 40.

BA's second reason for the reorganisation, however, was the result of its own research, which suggested that the reputation of BA's business class was not keeping pace with the overall improvement in the airline in recent years.

Such research conclusions were surprising, in view of a recent poll of readers of Business Traveller magazine who voted BA the best business class service of any airline for both long and short-haul routes.

BA's research revealed two main problems: seat comfort compared unfavourably with other airlines; and business executives, especially on short-haul trips, were increasingly concerned at service levels in the airport as much as on the aircraft.

The question of seat sizes and the amount of leg-room available is one that appears to dominate all airlines' thinking, judging by the emphasis it receives in their advertising aimed at the business market.

Yet Business Traveller's reader survey found that leg-room was given a low priority by executives, who much preferred choosing BA for its high level of in-flight service.

Sir Colin Marshall: understanding passengers' wants

Even so, BA believed it could not let rivals such as Lufthansa and Swissair continue to offer better business-class seats. Moreover, BA's own research surveys found that seats *were* a key factor in executives choosing to fly with a particular airline.

BA's development engineers worked with a UK company, Contour Seats of Farnborough, to develop the business-class seats. About 100 regular business travellers assessed the prototypes at a series of four research sessions. Further tests were conducted by the Institute of Consumer Ergonomics and 60 volunteers, all of whom fly frequently, spent a night sleeping in the seats at an airport hotel.

The seat chosen was slightly narrower than the existing seat but provides four inches more legroom, with a greater degree of recline than at present and including an adjustable legrest similar to that found on first-class seats.

The marketing strategy for the new business class was spearheaded by Mr Michael Batt, head of a BA marketing department called Products and Brands. Mr Batt joined BA last year from Mars, the confectionery company, and subsequently recruited several other marketing executives with backgrounds in fast-moving consumer goods areas.

"We wanted to look at our passenger markets like any other branded products," he says. "So we introduced the system used in consumer goods companies of having a brand team dedicated to each product, headed by a brand manager."

The business class brand team came up with two different strategies.

On short-haul flights, it concluded that the priority for many travellers was having less trouble and saving time. On long-haul flights, the brand team believed comfort levels were more important.

The Club Europe class will concentrate on improved check-in facilities, both at Heathrow and at other points, such as at some top London hotels and at Cheapside in the City. About 40 "carnation staff" - employees wearing a carnation - will act as "queue-combers" to identify business travellers needing a faster check-in service.

Business travellers to Paris and Amsterdam will also be able to take advantage of a new "valet parking" service at Terminal Four, which may be extended to other terminals if the British Airports Authority gives approval.

On the aircraft, there will be additional knee room and additional wardrobes, giving scope for more carry-on baggage.

This increased level of passenger service and comfort will cost BA about half of the £25m budgeted for the reorganisation in the first year. About £4m is being spent on fitting out the seats, while an £8m advertising campaign is scheduled to open on Christmas Day.

One service BA does not intend to introduce at the moment is British Caledonian's door-to-door limousine service for business travellers on some routes, which it believes would be too expensive, given the numbers involved. Ironically, it may yet acquire the service if its proposed merger with BCal proves successful.

# Wall Street 'not to blame for crash'

BY RALPH ATKINS

THE SLIDE in UK share prices last month was due to internal factors and had little to do with Wall Street, argues the latest Lloyds Bank Economic Bulletin, published today.

Mr Christopher Johnson, chief economic adviser to the bank, says share prices are reflecting the underlying performance of companies. Future increases are unlikely to match the substantial rises resulting from the turnround in industrial performance in recent years.

The bulletin dismisses as facile the argument that there was nothing wrong with UK share prices before the fall began. It says it is wrong to blame Wall Street and the growing interdependence of world stock markets.

Instead, the slide was due to an unsustainable divergence between share prices and company profitability as measured by earnings per share, he says. This gap could only be justified on the irrational assumption that future earnings growth would be faster than in the past.

Mr Johnson calculates that the five-fold increase in UK share prices between January 1980 and September 1987 was due to a doubling of earnings per share and a 2½ times increase in the ratio of share prices to earnings. Moreover, in the first part of this year the growth of earnings per share slowed while share prices accelerated.

*Why share prices had to fall. Lloyds Bank Economic Bulletin December 1987. Economics Department, Lloyds Bank, 71 Lombard Street, London EC3P 3BS.*

# Stock slide 'will have limited impact on Europe'

BY RALPH ATKINS

EUROPE LOOKS likely to avoid recession next year but downward pressure on the dollar is likely to continue, City of London economists conclude in forecasts published today.

The reports, from two securities houses, argue that the slide on world stock markets will have a limited impact on European economies. However, relatively low US interest rates have left the dollar vulnerable to further falls in the next few months.

The UK economy is predicted to show an above average rate of growth in 1988. Merrill Lynch forecasts it will grow by 2.4 per cent next year, compared with 2.0 per cent in West Germany, 1.7 per cent in France and 2.2 per cent in Italy.

James Capel in a review of the world economy in 1988 also predicts slower growth but says recession will be avoided because countries have eased monetary policies.

The report forecasts an average growth rate for countries in the Organisation for Economic Co-operation and Development 2.3 per cent next year. That compares with a forecast of 2.7 per cent made before the recent slide on world stockmarkets.

Japan is expected to show the fastest growth rate among OECD countries, expanding by 3.2 per cent next year.

# Scots believe Government does not care

MORE THAN three Scots in four believe the Government does not care for Scotland, according to an opinion poll published today.

The postal poll was carried out last week, among a representative cross section of 1,000 Scottish voters.

The group was selected by MORI for Scottish Television.

Asked if they thought the Government cared for Scotland, 77 per cent said no and 23 per cent said yes.

More than two thirds - 68 per cent - thought the new poll tax was less fair than rates, and 76 per cent thought the Government should subsidise traditional Scottish industries.

Asked which system was best for governing Scotland, 24 per cent favoured the present system, 58 per cent wanted a Scottish assembly within the UK with tax-raising powers, and 23 per cent opted for independence.



## Company Notices



## Legal Notices



## Art Galleries



## Contracts & Tenders

# Cost monitoring omitted in plans for technology

BY ALAN CANE

COMPANIES IN the country's manufacturing heartland plan to increase significantly their spending on advanced technology without improving the cost systems that would indicate to them whether their investment had been worthwhile.

This is shown by the results of a confidential survey of 60 companies, many of them household names, with manufacturing facilities in north-east England. The survey disclosed that most intend to spend money on automated machinery and adopt advanced manufacturing techniques.

Seventy-five per cent of the sample plan to introduce "just-in-time", a system popularised in Japan which cuts the need to hold stocks of components and improves throughput.

Sixty per cent plan to introduce "total quality management" and all are planning to increase their investment in computer-aided design and computer-aided manufacture.

However, the survey also shows that the companies are giving a low priority to cost management systems used to justify and assess their manufacturing performance.

One cost accountant who took part in the survey complained: "We know our overall manufacturing costs but we do not know where they are being incurred: it makes planning to cut costs or to increase profitability very difficult."

Mr Norman Molyneux, of Price Waterhouse, which co-ordinated the survey, said most of the companies canvassed had only 50 per cent of the features he would like to have seen in a modern cash management system.

"There is a real opportunity," the survey says, "to re-define the cost-information needs of manufacturing industry. Once defined, improvement could then be focused on those features yielding greatest benefit in support of the particular manufacturing technology being introduced."

These include: assessment and monitoring of quality costs, identification of overheads by activity in addition to function and availability of cost information for different output levels and mixes of product to support marketing decisions.

Inadequate cost management systems worldwide have been identified as a factor hampering the effective adoption of advanced manufacturing methods.

Traditional cost management methods generally concentrate on the labour content of finished goods, while modern methods emphasise throughput quality and a reduction of overheads and waste.

The Price Waterhouse survey confirms that the UK is following the world pattern. Over the past five years, the cost profile in manufacturing has changed dramatically. The cost of purchased materials as a percentage of overall costs rose by 11 per cent, direct labour costs fell by 27 per cent and overheads by 9 per cent.

Mr. Roy Davies, Price Waterhouse partner with special responsibility for manufacturing, said companies should concentrate on the cost incurred over the whole life-cycle of a product, and try to establish the most appropriate system for controlling such costs.

# Patent Office may move to Cardiff

By Lynton McLain

THE TRADE and Industry Department is considering moving the Patent Office from London, possibly to Cardiff. The office employs 1,200 people but not all the jobs may be moved.

The lease on the office's London headquarters in Holborn expires at the end of the year.

The department is keen to decentralise its services where appropriate. "The move of the Patent Office is clearly a possibility, but no decision has been made," the DTI said yesterday.

The Patent Office is understood to be one of the major candidates in the department for a move from London.

Lord Young, Trade and Industry Secretary, announced last month the start of a comprehensive review of the department's role, which could lead to some re-allocation of staff and divisions in the DTI.

The objectives were to complete the move away from industrial interventionism started in 1979. He said the department had coped with the problems of failure in many sectors of industry and was now faced with the problems of success.

Under the review the department was looking at the functions and services of all its divisions to see if it would be logical to move some out of London.

The DTI said yesterday that Cardiff was a prime area, with government offices, such as the Companies Registration Office, employing about 800 and a branch of the Export Credits Guarantee Department employing about 700 already there, and available office space.

While no final decision had been made about the future location of the Patent Office, it was possible part of it could stay in London.

The DTI has its headquarters in Victoria Street, near Westminster, which is where its main offices are likely to stay.

## Kevin Brown on who might buy a privatised rail engineering group

# Taking Brel to the other side of the tracks

THE GOVERNMENT'S statement that it plans to privatise British Rail Engineering provoked a deafening silence from Europe's railway equipment industry last week.

The only potential buyer to declare his hand was Mr Peter Holdstock, managing director of Brel, who said he would definitely lead a management buyout consortium.

There were no other public declarations of interest and neither the Government nor the British Railways Board (BRB), of which Brel is a subsidiary, has since received any behind-the-scenes approaches.

This reticence speaks volumes for the industry's view of Brel and for the Government's prospects of selling it to a credible private-sector purchaser.

In spite of five years of painful restructuring, there is a widespread view that Brel still has a long way to go and there remain doubts about whether any serious buyers will emerge.

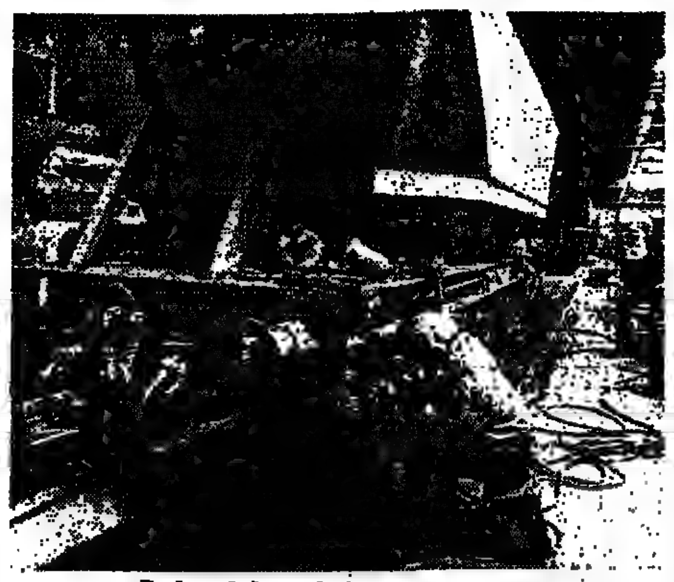
The principal burden of restructuring has fallen on the workforce, which stood at 31,000 five years ago and will have fallen to 7,500 by April, and, even now, 3,000 workers are under notice to leave.

During this period Brel has closed the historic Shildon and Swindon works, each of which had about 2,600 workers, and its Doncaster Wagon Works was sold by BR to a local management buyout team.

At the same time, the BRB signalled its intention to dispose of Brel by consolidating the company's routine maintenance activities into a separate business organisation.

This group, which operates from premises in Doncaster, Wolverton, Eastleigh and Glasgow, will remain in BR hands, providing a secure in-house maintenance capacity, whatever happens to Brel.

Since 1985, Brel has also had to cope with a policy of competitive tendering introduced by the BRB, under which BR equipment contracts go to the lowest bidder.



Brel workshops: facing uncertain future

This procedure is regarded by the board as essential to the future financial health of BR but it has had a devastating effect on Brel's results.

In the year to March 1985, the last before competitive tendering, Brel reported a surplus of £35.5m. That was almost halved in 1986, to £19.1m, and fell again last year to £10.3m.

The company's accounts show that Brel lost £3.4m on contracts won under competitive tendering in the year to March 1986 and a further £13.8m last year.

Brel has made substantial public relations capital out of the fact that it has won 70 per cent of the orders placed by BR since competitive tendering was introduced.

Critics within the industry say, however, that the losses Brel has been sustaining on these orders are an indication of the extent to which it remains uncompetitive.

"Brel is too big, too inflexible, and still has serious union problems. It is overstaffed and not competitive in world markets," says a manager of one competing railway equipment company.

Another says: "Brel produces good quality products but it is totally incapable of competing on price without further rationalisation."

Add these judgments to the strategic worries of an industry operating at between 70-75 per cent of capacity and you have the basic reason for the apparent lack of interest in Brel.

The consequence is that the Government's declaration that a bid from the management would be welcome has been interpreted by many as indicating a *fait accompli*.

Workers at Brel's factories were being sounded out last week about the prospects of support for a management buyout and Mr Holdstock was mulling over the list of potential supporters.

His favoured option is for a buyout backed by a double link with outside companies in the UK and in Continental Europe, the market Brel would most like to break into.

The prospects for a link with a UK general engineering company are difficult to guage, although analysts said there was unlikely to be a queue at the doors of the Transport Department.

Such a link would have advantages for Brel since it would improve access to the general engineering market, an area into which Brel would like to diversify. The advantages for the other party are less clear.

Several UK railway equipment suppliers might be interested in bidding for part of Brel, including GEC Traction (part of the General Electric Company), Brush Electrical Machines (part of Hawker Siddeley) and Metro-Cammell (part of the Laird Group).

The Government would be unlikely to accept a full takeover bid from any of these because of the political embarassment involved in a deal which would diminish the competition in the marketplace and damage British Rail's procurement policy.

The betting is that it might be willing to accept a management bid backed by an existing competitor but, although all the companies will take a close look at the figures, none appear eager to become involved.

The general view is that the purchaser will have to face very high redundancy costs and will probably be unable to maintain all four existing Brel plants - Derby Locomotive, Derby Carriage, Crewe and York.

Most managers said the locomotive and equipment company at Crewe was most likely to survive, probably together with York, which produces multiple units and components and carries out repair work.

Others said the Derby Carriage Works had potential. None thought all four plants could survive.

Favourites among potential foreign backers were Alsthom, the major French railway equipment company, and ASEA of Sweden, which is in the process of merging with Brown-Boveri of Switzerland.

Brel has close links with Alsthom through two separate consortia bidding for contracts to build the shuttle and through trains for the Channel Tunnel.

The company also worked with ASEA some years ago on aspects of British Rail's ill-fated Advanced Passenger Train, which was constructed but never brought into service.

An association with either company would give Brel access to markets in which it is currently weak, particularly in Europe. No talks have yet been held with either company, however.

Such an alliance would be bound to face strong political and industrial opposition, even if it was in support of a management buyout which left control in British hands.

"We are not in favour of encouraging outside or foreign companies to buy into our market for the simple reason that we do not have much encouragement to buy into companies abroad," one manager said.

Few people in the industry believe such a link is a realistic possibility, however, because of the restructuring problems which would have to be taken on.

Mr Holdstock points to the workforce reductions of the last few years, together with a recent business reorganisation, as evidence that Brel has fought its way back to a competitive position.

"We really do think this is a tremendous opportunity for the company, so long as it is a single integrated business," he said.

# County NatWest sacks three for options losses

BY RICHARD WATERS

COUNTY NATWEST, the investment banking arm of Britain's biggest clearer, confirmed yesterday that it has sacked three members of staff over traded options losses sustained in the stock market crash last month.

The sackings follow an investigation by the bank into poor controls which allowed "a limited number of clients" to run up huge losses, County NatWest said.

One of them, Mr Anil Gupta, a 23-year-old accountant who has since been sacked from his job at Touche Ross, sustained losses of more than £1m.

County will have to pick up the debts of these clients if they fail to meet their obligations. The bank refused yesterday to say whether it is taking legal action against any of them, or what losses had been sustained.

The revelation of inadequate controls in the traded options business follows massive investment by the bank to enable it to cope with its expansion into new areas of business.

It is believed to have around 300 staff working full-time on systems development, almost all of them recruited in the past two years. It is also thought to have built up a team of around 150 accountants in its accounting and control area.

"We have now stengthened our control procedures," said County. No further investigations into poor management control were being carried out, it said.

# US phone group aims to expand

By David Thomas

BELL ATLANTIC, one of the large US regional telephone companies, is planning to become more heavily involved in the UK and European computer leasing business.

The company is one of seven spun off from American Telephone and Telegraph in 1984 and reported net income of $1.17bn (£646m) on sales of $9.32bn last year.

Bell Atlantic has made no secret of its wish to do more business in Europe. This month it bought seven European computer maintenance companies and has recently signed collaboration agreements with some European telecommunications companies.

The company also wants to build up its computer leasing operations, which it acquired when it took over the Greyhound Capital Corporation.

Mr Derek Lamb, managing director of Bell Atlantic's UK computer leasing operations, said the parent company was prepared to put in virtually unlimited resources towards its goal of approaching the European computer leasing market more aggressively.

Bell Atlantic has recently clinched its largest computer leasing deal in the UK with a £12.5m package for the Royal Bank of Scotland. The company expects £20m-£25m turnover from this business in the UK this year.

Mr Lamb said Bell Atlantic would probably invest up to £40m a year over the next few years trying to improve its position in the UK market, which he acknowledged was already overcrowded.

# Cineplex plans to extend its cinema network

By Raymond Snoddy

A LEADING North American cinema chain has announced ambitious plans to expand in the UK.

The Toronto-based Cineplex Odeon Corporation, which has 1,587 screens at 476 locations in Canada and the US, says it plans to open 100 screens in England over the next three years.

Mr Garth Drabinsky, president and chief executive of Cineplex, told analysts: "There are great opportunities in Europe and especially England."

Cineplex declined to discuss details, but pointed out it was prepared to consider all types of cinemas.

The company forecasts that its revenues this year should be 50 per cent higher than last year's $366m.

Cinema audiences have been rising in Britain over the past couple of years after years of decline.

Among the American cinema groups already expanding in the UK are CIC Cinemas, which recently opened a multi-screen cinema in High Wycombe, Buckinghamshire, and is planning others.

# Legal pay 'keeping pace'

BY RAYMOND HUGHES

BARRISTERS IN full-time work in commerce and industry are keeping pace with other business executives in the salary stakes, according to a survey.

Their median earnings are £31,000, only slightly less than industry directors, says Inbucon Management Consultants, which carried out the survey for the Bar Association for Commerce, Industry and Finance.

The highest paid barrister in the survey, which covered 318 of the association's 750 or so members, earned more than £125,000.

Two women barristers earned more than £50,000, the median for women being £27,000.



# Doctors 'face explosion of negligence claims'

DOCTORS ARE warned today of an "explosion" in the number of patients suing them for negligence.

"Medical negligence claims are beginning to follow the American pattern," Dr Garth Hill, editor of the journal of the Medical Defence Union, says.

An article in the journal says some surgeons in New York State have to pay $100,000 a year to insure against claims. Some doctors are paying out a third of their gross income, before expenses, on insurance and are being forced out of their jobs.

Some obstetricians are refusing to undertake difficult cases of childbirth. Many GPs refuse to have anything at all to do with delivering babies - any defect in a baby is automatically assumed by parents to be the doctor's fault, not theirs.

Doctors' insurance rates in the UK and Republic of Ireland have risen more than fourfold since 1984, from £264 to £1,080 for 1988.

But, the journal points out, Britain has not yet reached the situation in the US where surgeons carrying out vasectomies are advised to get patients to sign consent forms listing everything possible that can go wrong without the surgeon being at fault - from the operation failing to divorce.

# Executives distrust gifts

THE BOTTLE of Scotch or Christmas hamper sent to brighten up the festive season can prove something of a mixed blessing for executives, according to a survey in Chief Executive magazine.

Many fear Christmas gifts could be seen as bribes. According to the poll, one in three senior managers has returned Christmas presents sent by other companies.

Two-thirds of executives say they do not accept gifts in certain circumstances.

While diaries and calendars top the list of executive presents, the magazine says one businessman received a Ford Capri and another had double glazing fitted at his home.

About half of the executives taking part in the survey agreed that the "giving of gifts is fraught with pitfalls associated with bribery." Only 10 per cent registered total disagreement with the statement.

About 50 per cent of the companies surveyed had rules about employees receiving gifts - usually that staff should accept only token gifts, such as diaries.

## UK NEWS

Nick Garnett looks at changes in the earthmoving and construction equipment industry

# Small heavy movers take the acquisition trail

THE PURCHASE last week of the former General Motors truck operation in Dunstable by David JB Brown underlines a small strand in the changing fabric of British industry.

In the past 18 months, a number of relatively small companies with their roots in earthmoving and construction machinery have been expanding by acquisition as well as by organic growth.

David Brown's own business, Artix, at Peterlee in County Durham, manufactures its own designed articulated dump trucks which it supplies to Caterpillar of the US, the world's largest earthmoving machinery company.

The BM group is another example of expansion from a base in construction equipment. It has purchased during this period a handful of companies manufacturing concrete-making machinery, excavators, dump trucks and lifting equipment.

BM's turnover has leapt from £36m in 1985-86 to £79m last year and is likely to exceed £100m this year.

Another company in this category is the Brown Group, with headquarters in Pool, North Yorkshire, and run by three brothers, Gordon, Fred and Ron Brown. They are no relation to David Brown.

In the past year the Brown Group has signed a deal to supply Komatsu with dump trucks from Brown's plant at Molde in Norway, which makes the Moxy truck range. It has also added to its existing business manufacturing stone-crushing machines by buying from the receiver the Leicester-based Parker company which makes stone-crushing equipment and conveyors.

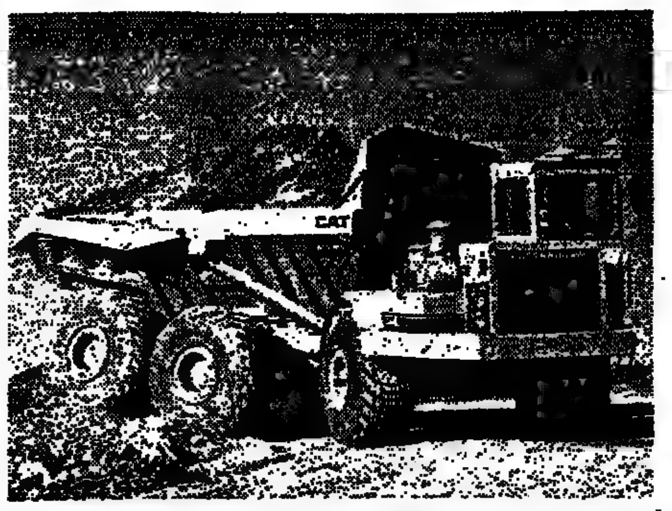
These stories of expansion catch the eye because they are in marked contrast to the painful turbulence and contraction in many other parts of the UK construction equipment industry.

For example, Aveling Barford, the Grantham maker of dump-trucks, wheel-loaders, graders and rollers has been locked in a difficult rationalisation, reorganisation and job-shedding programme after several years of neglect in marketing and manufacturing.

Barber-Greene of the US, which makes asphalt finishers and other road-building machinery at Bury St Edmonds, has also rationalised and cut jobs this year.

Ransomes and Rapier's site at Ispwich making crawler and walking draglines and crawler cranes has just been shut following the company's purchase by Stothert and Pitt. Manufacturing capacity is being transferred to Stothert and Pitt's site at Bath but Ransome's product line is understood to be under review.

All this follows the controversial closure of Caterpillar's tractor-dozer plant in Scotland this year and the decision by Northern Engineering Industries last year to dispose of three of its construction machinery businesses, leaving it only with cranes.




David JB Brown with the Artix 40-tonne articulated dump truck

Some of this restructuring has been necessary and is healthy. However, it reflects the continuing pressures in a fiercely competitive sector.

That is what makes the growth of these other companies unusual. Mr David Phillips of the Corporate Intelligence Group, construction machinery analyst, says: "The new wave of investment that is taking place is a positive sign for our section of British industry."

The BM group, led by Mr Roger Shute, its chairman and chief executive, has shown a remarkable expansion rate which has given it a turnover now which is more than a third that of JC Bamford, the biggest UK construction equipment maker.

At the beginning of last year BM had a collection of businesses making sand and gravel plant and converting machinery for processing materials.

Since then it has bought Benford Concrete Machinery which makes dumpers up to five tonnes, vibrating rollers, aerial access equipment and concrete mixers.

It has also acquired the three former NEI companies. These are Hymac, making 12 tonne to 14 tonne excavators; Ritemixer, which produces cement mixing platforms for trucks; and Haulamatic, manufacturing 20 tonne to 35 tonne dump trucks. The company also acquired D Wickham, a Hertfordshire maker of hoists and lifts. It has moved a number of these businesses into its existing factory facilities.

The acquisition trail is not over yet. "It is time this industry changed," says Mr Shute. "It has sat back on its laurels too long. We are looking to increase our range of products in construction and other fields."

As with David Brown, BM has shown an interest in moving into areas that it has not been in before. For example, Mr Shute is particularly keen to buy into hand tool manufacturing.

The Brown Group is also ready to expand if it can find suitable acquisitions. "We are always on the look-out for something that will fit and that needs us," says Mr Fred Brown, the company's president.

Its deal with Komatsu is to produce up to 300 trucks a year for the Japanese company in a complex deal which will give the Moxy machine a bigger sales penetration in world markets.

The Brown Group had sales of around £45m before the Parker purchase. It employs more than 1,500 and claims to make about 500 dump trucks a year.

This output is similar to that of David Brown's Artix in Peterlee. Artix, with a turnover of about £50m, says its dump truck sales are higher than those of Moxy because the average price of its trucks is greater.

Total sales of Artix trucks, which all sell under the Caterpillar badge, is about the same as that of Volvo's articulated dump trucks, the other large supplier of this type of machinery.

Apart from the purchase of the GM plant from which the 62-year-old Mr David Brown will resume output of former Bedford trucks and buses, he recently completed a 100,000 sq ft factory at Stockton on Tees to make, among other products, an off-road vehicle.

His company has also been working on a number of new vehicle concepts, apart from the all-wheel-drive offroader. One of these, which has just been launched, is a truck trailer with drive and steering.

# Demand 'limited' for annual accounts to reflect inflation

BY RICHARD WATERS

THERE IS little demand for companies' annual accounts to reflect the affects of inflation while it remains at its current level, according to research carried out by MORI on behalf of the Chartered Association of Certified Accountants.

Historic cost accounting, which values assets at their original cost, is generally thought to be justified as long as inflation stays below 10 per cent, the survey found.

The findings of the survey, which covered 292 companies and users of accounts, come as the Accounting Standards Committee considers whether to return to the topic of inflation accounting, the most contentious accounting issue of the past decade. It will use the MORI research as the basis for deciding whether it should attempt to introduce a new accounting standard on the subject.

In spite of the lack of demand for inflation-adjusted accounts, a slight majority of those in the MORI survey said the accountancy profession should produce a new statement on the subject, in preparation for periods of higher inflation.

The ASC's previous statement of standard accounting, SSAP 16, was dropped last year after companies failed to follow it.

The findings of the survey contrast sharply with the views of many accountants and academics, who have argued for a system of accounting which reflects changing prices.

Even low levels of inflation have a cumulative effect on asset values shown in accounts. Assets stay on company balance sheets for an average of 17 years and many asset values shown by companies fail to reflect the high inflation of the late 1970s and early 1980s.

# Insurance groups extend business mortgage role

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

INSURANCE COMPANIES have been making inroads into the commercial mortgage market with fixed-rate loans, at the expense of the banks.

There are now 11 insurance companies in the market, nearly double the number a year ago according to the latest edition in Blay's Commercial Mortgage Tables.

While the 12 banks in the market have concentrated on floating rate loans, insurance companies have preferred fixed rates. The only bank to offer fixed-rate funds has been Lloyds, although not at a competitive rate.

Insurance companies have offered interest charges of around 11 per cent, tending to undercut the banks.

Blay notes that there has not been the same growth in the number of lenders to the residential property market, and furthermore that lending institutions were inclined to operate in one market or the other but not both.

Insurance companies now offering commercial mortgages are listed as Allied Dunbar, Commercial Union, Crusader, Eagle Star, Norwich Union, Equitable Life, Gresham Mortgage, London and Manchester, Royal Heritage, Sun Alliance and United Friendly.

Generally, insurance companies have placed a ceiling of £5m on borrowing, but they will lend on most types of commercial property including nursing homes, garages and licensed premises. Their greater interest in the mortgage market reflects, besides the economy's growth, the strong demand that has emerged for owner-occupied premises.

# Tory MP attacks Land Registry staffing crisis

FINANCIAL TIMES REPORTER

A STAFFING crisis at the Government's Land Registry means new houses can cost up to an extra £3,000 and many are standing empty even although buyers are ready to move in, a prominent Conservative backbencher claimed yesterday.

Mr John Heddle, chairman of the Conservative Parliamentary Environment Committee, said: "There is now a horrendous backlog of registrations which is causing hardship to builders and buyers alike."

"The Inland Revenue made a profit of £27m last year on a turnover of £126m, but Treasury rules deny them the opportunity to increase manpower to cope with the backlog."

He plans to raise the issue in the Commons today and said that in some cases the delays were adding up to £3,000 to the cost of a new home.

Builders who had borrowed money to finance developments were faced with big interest payments because the newly-built homes were hard to sell without the deeds. The interest had to be added to the cost of the property.

A rise in the number of conveyances and a plentiful supply of money had caused a substantial increase in the Registry's workload, with more than 2m applications for registrations and more than 4m applications for searches received - an increase of 25 per cent, said Mr Heddle.

"The main reason for this crisis is the Government's own success in promoting home ownership, particularly among first-time buyers and former council house tenants.

"The solution is either to allow the Registry to keep its profits to enable it to take on and train more staff, or to give it permission to contract routine work out to local solicitors in the areas where the registry officers are situated."

# Venture capital fund reports record profits

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

NORTHERN INVESTORS, the Newcastle venture capital fund, reported today a 34 per cent increase in annual profits to a record £293,000. Dividend is being increased by 1p to 4.5p per ordinary share.

The £5m fund, launched in 1984 and backed by private sector money mainly from big businesses in the north-east, has £2.6m committed to 18 new, expanding companies in the north. It expects to be fully committed, with about 40 investments, within 12 months.

Its success will be seen by the venture capital industry as an important step towards greater credibility for regional funds. These are seeking to correct a massive regional imbalance in funding small businesses, which has seen most investment concentrated around London, where most of the venture capital funds are based.

Mr Michael Denny, Northern Investors' managing director, represents the emergent regional funds on the council of the British Venture Capital Association.

The fund achieved its first realisation in the year, selling its shareholding in the ferry operator Norway Line at a profit of £124,000.

Its main backers include NEI, ICI, and Vaux Breweries.

Northern England Survey, Pages 15-20

# Generic drug use 'could save NHS up to £100m'

BY PETER MARSH

WIDER PRESCRIBING of generic rather than branded drugs could save the National Health Service up to £100m a year, or roughly 5 per cent of its pharmaceuticals bill, according to Drugs and Therapeutics Bulletin, a newsheet for doctors published by the Consumers' Association.

The bulletin, in its issue published today, says the savings would come about because generic, or non-proprietory, drugs are normally cheaper than their branded equivalents. A generic medication has the same chemical characteristics as its branded counterpart, although the exact clinical effects may vary. At present generic drugs account for 10 per cent of NHS spending on pharmaceuticals.

Pharmacists could carry less stock if doctors prescribed generically, rather than stipulating branded drugs, says the bulletin. Increasing use of generic alternatives could reduce the cost of some branded products and encourage more manufacturers to turn out generic formulations.

Manufacturers of branded products frequently complain that wider use of generic medications would lead to lower quality drugs and increase the risks to patients.

According to the bulletin, however, most of the evidence regarding the quality of generic products is "anecdotal." The bulletin says: "The standard licensing requirements are as rigid for generic products as for branded ones."

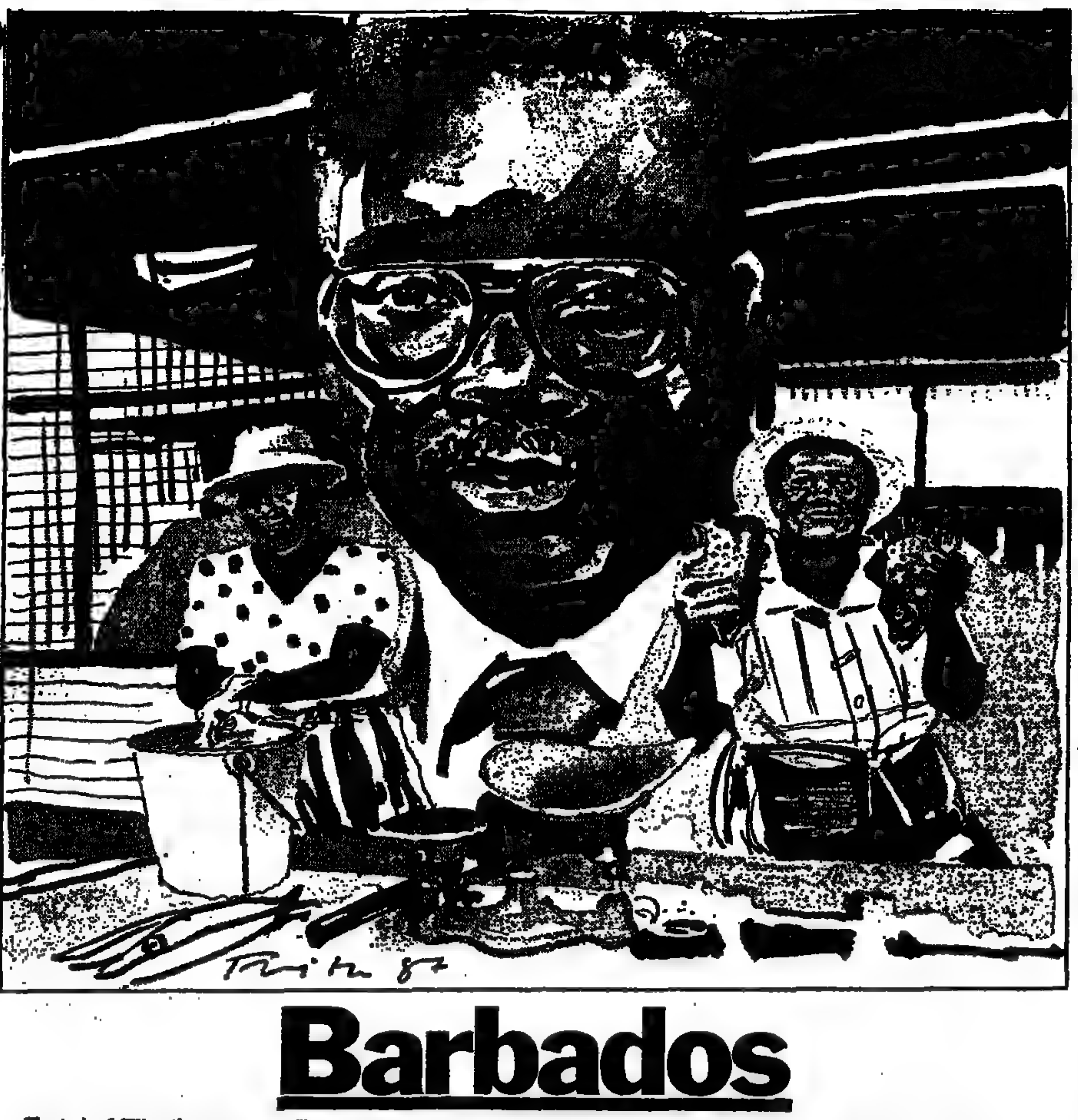
The publication advises that to dispel lingering doubts over generic medications the drugs licensing authorities at the Department of Health and Social Security should investigate any possible quality problems regarding non-branded products. "Instances of suspected differences should be reported and investigated and the results printed."

# FINANCIAL TIMES SURVEY

**Independent for 21 years this month, the island boasts the best-managed economy in the Caribbean and political stability. Major challenges lie ahead, however: the economy has suffered a downturn this year, and unemployment continues to be a worry, writes Caroline Southey**

# Barbados

## Batting on a sound wicket



THE CARIBBEAN'S "Little England" celebrates 21 years of independence from the mother country this month. The most easterly of the Caribbean chain of islands, Barbados can boast of more than the sun, sand and sea which attract hundreds of thousands of tourists to its shores every year.

It justifiably lays claim to the best-managed economy in the Caribbean which, although buffeted by international recessionary trends, has maintained an equilibrium unparalleled by its major trading partners in the region.

Political tranquility is also a hallmark of the 166 square mile island. Barbados, some argue, came of age long before 1987. The island's parliamentary tradition stretches back over three centuries - in 1989 celebrations will be held to mark its parliament's 350th anniversary.

Yet some major challenges lie ahead. A poor performance by the sugar and manufacturing sectors this year have exacerbated a high rate of unemployment. A downturn in the economies of its major trading partners has led to the loss of export markets - particularly in Caricom, the Caribbean Economic Community, a trade and economic grouping formed in 1973 which includes 13 English-speaking countries in the Caribbean.

Bajans, as the 250,000 inhabitants of this tiny Caribbean island like to call themselves, are also apprehensive about the possible impact of the world stock market collapse on tourism. It is the country's main source of foreign exchange earnings, with visitors from the US the biggest spenders.

Barbados is better placed than most other Caribbean islands to overcome these economic hurdles given its political stability. Four new prime ministers in two years without problems surrounding succession attests to the island's democratic tradition. Two prime ministers, both veteran politicians, have died in office in the past two years - Mr Tom Adams in 1985 and Mr Errol Barrow in May this year.

Mr Barrow led his Democratic Labour Party to a sweeping electoral victory in May last year winning a massive majority over the Barbados Labour Party which had enjoyed an uninterrupted 10 years in power. The Democratic Labour Party, after a decade on the back benches, found itself with 24 of the 27 parliamentary seats.

Both Mr Adams and Mr Barrow dominated the political transition years of the early 1960s - Mr Barrow led the island to independence in 1966 - and the legacy of their flamboyant styles has left its mark on the political expectations of all Bajans.

The task of filling the vacuum has fallen to teacher-turned-politician Mr Erskine Sandiford, whose way has been eased somewhat by the strong position of the Democratic Labour Party. He is Finance Minister as well as Prime Minister, having taken on the portfolio after the resignation of Mr Richie Haynes in September this year.

The ideological differences between the opposition Barbados Labour Party, led by Mr Henry Forde, and the ruling party are negligible. The exceptional swing in the voting pattern last year had more to do with personalities than policies, although tax cut pledges by the Democratic Labour Party no doubt made it a more attractive proposition.

The Barbadian economy has suffered a downturn this year, following its best performance this decade in 1986 when it grew by 5 per cent. The depressed state of the economy has been due primarily to a slump in manufacturing output, a shrinkage in regional export markets and an exceptionally poor performance in sugar.

The prognosis, however, is by no means poor. Mr Winston Cox, Director of Finance and Planning, says: "We knew we had to depend on construction and tourism this year. Construction has lived up to expectations, tourism has surpassed expectations. We expected flat growth this year but we now think it could be as much as 2 per cent. Some people would even go as far as to suggest growth of 2.5 per cent."

His measured optimism is reflected in the figures for tourism and construction. The government is relying on the tourist sector performance during the coming dry months to maintain a surplus on the current account.

The Government has also kept inflation under control - last year prices rose by 1.3 per cent - and Mr Cox is confident that despite signs of a rise in prices this year, the inflation rate will be kept under control.

Reducing unemployment, presently running at about 18 per cent, continues to be one of the government's priorities. Mr Sandiford has stated that he would like to reduce the level to 10 per cent in the medium term, a target most economists feel is too optimistic.

Mr Cox, however, warns that the danger of trying to find a quick solution to the unemployment problem will create more severe problems. He says that the temptation is to rely on the government to generate employment. "It ought to be left to the private sector, although not entirely," he says. "I don't want to stimulate the economy through fiscal stimulus any more than has already been done because of the implications for the fiscal deficit."

The Government has hinted that it is set to take firm measures to reduce the fiscal deficit.

"We have yet to enter into serious negotiations with the Government about what the targets ought to be for the coming year," says Dr King.

Mr Cox says, however, that the government has successfully tapped the international financial capital markets. "Our strategy has been to limit our borrowing to replace maturing debt. We have had a surplus on the current account of our balance of payments in 1984, 1985 and 1986 which is obviously the underpinning factor.

He concedes, however, that it may be difficult to maintain a surplus this year, but argues that even a small deficit will allow the government to continue this strategy.

In a bid to overcome the loss of regional markets - caused mainly by the poor economic performances of its major trading partners in the Caribbean and increased protectionism in the region - and resultant fall in foreign exchange reserves, the Government is turning its attention to developing outlets further afield. Extra-regional markets, primarily the US and Canada, are now the focus of its attention.

Mr Sandiford denies that Barbados is abandoning its commitment to Caricom by this shift in focus. "We are committed to Caricom as an economic entity and seek to maintain it as such. Just as the UK discovered that Europe was its home base, so we consider the Caribbean to be our home base, our natural area."

Mr Sandiford has a personal, as well as political, commitment to the region. He is, he says, a regionalist at heart. But, he adds: "I am also a realist. Although I am fully committed to the Caribbean and the integration of the Caribbean I know that there have been many attempts at federation and all have stumbled. For the Caribbean as a region I don't think that federation would work. We have to find other means of cementing the search for integration."

Dr Kurleigh King, Governor of the Central Bank, supports this view. "I don't think the quest for extra-regional markets will be harmful to Caricom. It was also understood that the Caricom market was only a jumping-off ground for home manufacturers. It was in a sense to get them used to the notion of exporting. We need to go beyond that now."

He adds that Barbados' efforts to develop its manufacturing base cannot be supported by a market of 5m people. He admits that the manufacturing sector is not going to be one of the island's high-flying sectors.

Barbados is also hopeful that changes to the Caribbean Basin Initiative (CBI), set in motion by the Reagan Administration shortly after the invasion of Grenada in 1983, will make it more relevant to the island's export drive. The initiative, designed to promote better trade relations with the US by lifting restrictions, has been harshly criticised.

The main bone of contention is that products which the Caribbean countries have the greatest capacity to manufacture such as shoes, textiles, leather goods and sugar, are subject to severe restrictions or excluded from the duty-free arrangements.

Mr Sandiford says he is fully behind the initiative although he admits that "the things we were best able to produce were excluded from the agreement such as garment production and sugar.

For Bajans, however, the preoccupation of the moment has not been contracting regional markets, unemployment, inflation or the fiscal deficit. The greatest agony has been the less than inspiring performance by the West Indies cricket team in the World Cup series in Pakistan.

All the misery of a nation that for a generation has not suffered defeat on the international cricket ground has been heaped on the head of one man - captain Viv Richards. The depth of feeling is understandable. Since the island played in the first major match ever in the Caribbean in 1865, Barbados has produced cricketers of the highest calibre who have come from all sections of the community.

Two of the three West Indian cricketers knighted for their services to cricket came from Barbados - all-rounder Sir Frank Worrell, the first black man to captain the West Indies, and Sir Garfield Sobers.

The Government has begun to take advantage of one of its greatest assets and is now linking tourism and sport. Barbados' most illustrious sporting son, Sir Garfield, has been assigned the post of sports consultant to the Board of Tourism.

Another cricketing legend of the 1960s, the fast bowler Wes Hall, elected to the House of Assembly last year, now holds the tourism and sport portfolio in cabinet.

In the coming year the Government will need all its imagination to maintain the growth of its tourism sector as the threat of a world recession looms ever larger. A drop in tourist arrivals from the US could be devastating and it may prove more difficult to attract new foreign investment to expand its manufacturing base.

## CONTENTS

## The economy must adjust to a contraction of regional markets

# Looking beyond Caricom

BARBADOS IS facing some painful economic adjustments as it celebrates 21 years of nationhood this month.

Although it has one of the best managed economies in the Caribbean region, its dependence on regional and extra-regional markets has, to a large extent, left its economic fortunes at the mercy of factors beyond its control.

The greatest burden it has had to bear during the last year has been the contraction of regional markets due to poor economic performance by its Caribbean neighbours. The adjustments needed to extend its economic sights beyond the relative cosy comforts of Caricom are only now being addressed in earnest.

The economy is under pressure on the domestic front. It suffered a downturn in the first 9 months of this year after a growth rate of 5 per cent in 1986 - the highest since 1980. Mr Winston Cox, Director of Finance and Planning, predicts a growth rate of about 2 per cent this year, although some economists think this is too optimistic, forecasting growth of just 1 per cent.

Against the background of negative growth of 2 per cent between 1980 and 1985, Mr Erskine Sandiford, Prime Minister and Finance Minister says: "In the prevailing economic conditions, both in the Caricom area and in the world itself, I think any growth this year would be acceptable."

Stagnation or negative growth were averted this year only by the growth in tourism. Arrivals in the first nine months of the year were estimated to have increased by 8.5 per cent last year. The estimate reflects a trend shown in the first 6 months of this year when tourist arrivals rose by 7.2 per cent to 209,700 from 195,600 in the first 6 months of last year.

Although the US remains the main source of tourist earnings - last year the US accounted for 45 per cent of all arrivals - British citizens have been arriving in ever greater numbers, up by 22.6 per cent last year.

The Tourist Board is optimistic about developing European markets. The fall in the value of the dollar has made Barbados an increasingly attractive proposition for European holidaymakers and the board is devoting additional resources to exploit what it feels is an untapped market.

Along with tourism, the construction sector remained buoyant. Public sector construction activity, boosted partly last year by a pre-election spending boom, remained high in the first six months of the year. Work continues on a BD$37m highway.

Private housebuilding remained high as last year's tax cuts and a drop in the mortgage lending rate led to a higher demand for housing. Mortgage lending rose by BD$26m between December 1986 and June this year.

Increased activity in construction and tourism has done little to alleviate the country's unemployment problem. After a drop of 2.4 per cent in the number of jobless last year from 21,200 (or 18.6 per cent of the workforce) in 1985 to 20,700, the figure has remained virtually static in the first 9 months of this year.

Mr Sandiford has singled out a reduction in the unemployment figures as one of his priorities. "One of the major reasons for a change in government in 1986 was the dismal record of the previous government on the unemployment question. I would really like to see unemployment in the medium term down to 10 per cent and thereafter down to a lower figure."

Economists, however, are sceptical about whether this can be achieved, given the low level of industrial activity, the poor performance of the manufacturing sector, and lack of foreign investment.

The fledgling manufacturing sector suffered its most severe setback last year with the closure of a plant established by Intel, the US electronics group. The closure damaged output in the sector which fell by an estimated 12 per cent in the first nine months of the year.

Barbados' track record on attracting new foreign investment for the manufacturing sector is weak. However, Mr Cox says there is some indication that different kinds of foreign operations will be set up.

The sugar yield per acre fell to the lowest levels since 1948, primarily due to a longer dry season this year. Output was targeted this year to meet only contractual needs because of the low sugar price, but still fell 7 per cent below target. Output at 83,432 tonnes was 25 per cent below last year's.

Poor performances in the manufacturing and sugar sectors, which have been the primary contributors to Barbados' visible export earnings, exacerbated a decline in exports. Domestic exports for the first nine months of 1987 were less than half their value in 1986.


Capital Bridgetown

These figures reflect last year's disturbing trend when the deficit on visible trade worsened, rising to BD$628.8m from BD$513.8m in 1985. Exports fell by 22 per cent from BD$707,781 in 1985 to BD$552,283 last year. The fall in imports from BD$1.221bn in 1985 to BD$1.181bn did little to offset the imbalance.

The trade deficit with Caricom countries, which as a group form Barbados' second largest trading partner after the US, rose to BD$29.9m last year. This compared with a deficit of BD$19.7m in 1985 and a surplus of BD$21.2m in 1984.

Overall, exports to Caricom declined by 40 per cent to BD$96m in 1986, mainly due to the island's limited access to the Trinidad and Tobago markets where sales have declined by 70 per cent since 1983.

Caricom countries also received a smaller proportion of Barbados' exports, 17.4 per cent in 1986 compared with 22.7 per cent in 1985.

Despite efforts further to liberalise trade relations between Caricom states, most recently in July this year, there is pessimism about any immediate improvements. "Even if protectionist measures were lifted, exports might not increase because of depressed demand and the fact that the purchasing power is not there in the present recessionary climate," says a Caribbean Development Bank economist.

The US re-emerged as Barbados' major trading partner last year. The US bought 23.7 per cent of Barbados' exports in 1986, compared with 18.4 per cent in 1985. Exports to the US increased marginally by 0.7 per cent to BD$131m compared with decreases of 10.2 per cent in 1984 and 40.1 per cent in 1985.

There is little concern that trading patterns are changing towards a greater reliance on the US as a potential market and away from traditional Caricom outlets. Rather, the government is committed to developing extra-regional markets both to boost its manufacturing base and to improve its visible export earnings.

"I am not regretting the change of direction towards the US," says Dr Kurleigh King, Central Bank Governor. "Instead of complaining about the loss of regional markets, the private sector should get up and do something. It is going to be more difficult than it was. It was relatively easy to sell to Trinidad with the cost advantage when their market was really very strong. Now that that is no longer so we have to look to the US and Canada and that is hard work."

He feels the government has to help manufacturers find and capture new markets. "We can't keep looking at old markets and old ways of producing. Compared with production costs in the developed countries, we are still, relatively, a low cost producer. I'm sure we can break into these markets. There is nothing wrong with our manufacturers. It is just that a mental switch has to be made to focus our attention on new markets."

Particular emphasis has been placed on the expansion of the international financial business services. The growth of this sector was particularly strong in 1986. The trend has continued in 1987, albeit at a slower pace, with growth in exempt insurance companies.

To ease the pressure on the balance of payments, the government relied heavily on foreign borrowing which shored up foreign exchange reserves. Barbados has, however, kept inflation under control. Last year prices rose by 1.3 per cent, the lowest inflation rate in Caricom, and the lowest in 19 years. In 1985 the rate was 3.5 per cent.

Prices have risen again this year, up 4.8 per cent between January and August. This was partly expected, however, because of continued recovery in the price of oil.

This patchy performance has come against the backdrop of a shift in fiscal policy by the governing Democratic Labour Party. The party was swept into power last year on pledges of tax cuts and an extensive privatisation programme.

The relief on personal taxation - tax exemption on BD$15,000 a year was introduced in July last year - has had some negative impact on tax revenues. However, despite a cut in corporation tax rate from 45 per cent to 35 per cent, companies reported increased profits for the second year running and company tax collections increased.

Despite the fall in tax revenues, Mr Sandiford says the government remains committed to the lower tax rates. However, the government has raised additional revenues by increasing indirect taxes such as consumption tax and duties.

During the financial years 1986/87 the deficit on current account stood at BD$10.5m compared with BD$15m in 1985/1986, BD$21.1m in 1984/85 and a surplus of BD$22.4m in 1983/84.

The tax cuts have, as yet, not made an impact on stimulating growth and investment in the private sector. Mr Sandiford, however, remains optimistic: "The tax cuts were a step in the right direction to put more money in the pockets of individuals and also into the coffers of business houses in the hope this might stimulate greater demand and hence fuel economic activity and hopefully economic growth."

The architect of these policies, Dr Richie Haynes, the former Finance Minister, resigned in September. The acrimony of his departure - his primary complaint was that Prime Minister Erskine Sandiford unilaterally appointed a new central bank governor - has raised questions about which economic policies the government will be implementing next.

Mr Sandiford remains adamant that there will be no radical shift in policy direction. He is determined to shore up the weaker sectors of the economy and to tackle some of the underlying structural problems.

**Caroline Southey**

## New exchange opened

**Barbados' new Securities Exchange, which only began trading on June 12, has 12 listed companies and has a listed capitalisation of 158m shares worth BD$453m. In October 117,386 shares changed hands at a value of BD$570,838.**

**The isolation of the tiny Bridgetown exchange meant it was totally insulated from the blow suffered by the world's largest stock exchanges on Black Monday.**

**Dr King says the exchange has been doing "as well as could be expected.**

**"We did not have any illusions about how quickly it could get off the ground. This is a little start, a modest start. We know that you don't make big private investors out of the public in a few months."**

## Agriculture

# Question lies in the soil

"SUGAR CANE farming holds this country together," says Mr Eric Deane, Managing Director of Barbados Sugar Industry Limited, a consortium which processes the island's canes.

Sugar is economically important to Barbados, although it has been replaced by tourism as the main foreign currency earner. But Mr Deane's statement has little to do with the economic returns which the national economy gets from sugar. It refers to the role of the cane plant in ensuring that other forms of agriculture are possible.

Agronomically, Barbados has always walked a very thin line. The island's coral rock base is covered by a layer of soil which averages 18 inches thick. Soil erosion is a constant fear, forcing the island's farmers into protective husbandry. Areas which have lost the topsoil cannot be retrieved for agriculture.

"There is a need for certain grass crops to keep the soil together," Mr Deane explains. "Sugar canes do this best. The rainfall pattern in Barbados is erratic, and not many crops can survive. Irrigation is limited because there is little underground water."

This, in part, explains the country's continuing tolerance of an industry which, at current production costs, is not viable. Over the past five years the Barbados sugar industry has received financial support of BD$70m, mainly through bond issues.

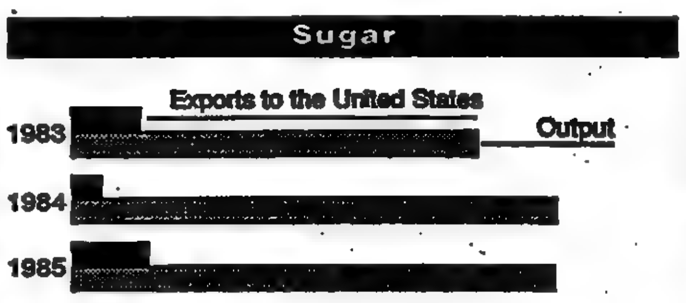
Government officials say the industry cannot expect to be viable at current world prices, despite a guaranteed market for some exports to the EC and a dwindling quota to the US. But the sector employs about 5,000 people - another factor which underlines its importance, despite its lack of viability.

So fundamental is the sugar sector to the country's life, says Mr Noel Symmonds, Service Manager of BSIL, that "If this industry were to fail, it would take a lot of businesses with it and the government national insurance scheme, for example, would be in trouble. This industry is under pressure in every country, but in Barbados, without it there will be more serious problems than many people realise."

Output of raw sugar has fluctuated over the past five years, with this year's harvest yielding 83,374 tonnes, 27,384 tonnes less than last years. The target for the crop was 90,000 tonnes and officials have said the shortfall was due to poor weather, it having been the driest reaping season since 1941.

The industry also faces increasing problems with its foreign markets. Like all other producers in the region, the current world market prices do not cover production costs, and the industry is kept alive only by preferential market agreements.

Under the Sugar Protocol of the Lome Convention, Barbados has access to the EC market for about 54,000 tonnes of sugar per year, about two-thirds of its exports. But even here, earnings are affected by movements in international currencies against the US Dollar to which the Barbados Dollar is tied. In 1982, for example, the industry earned an average BD$692 per tonne from sales to the EC, falling to BD$627 per tonne in 1985 and jumping to BD$881 per tonne last year.



Source: Barbados Sugar Industry

But the industry has suffered, like others in the region, from a progressive reduction of import quotas offered by the US. In 1985, the island shipped 15,478 tonnes to the US. This fell to 10,870 tonnes last year, and this year's shipments will be about 7,000 tonnes.

This year's quota reduction by the US was bitterly attacked by Barbadian Government officials, with one of the country's diplomats describing the move as an attempt by Washington "to cut the jugular" of the island's economy. Government spokesmen explained that the sharp reaction reflected anger with what was perceived as Washington's reneging on earlier undertakings not to tamper with Barbados' quota since this was already at the lowest level.

The loss of part of the US market has forced the industry to sell increasing quantities on the less lucrative world market. The volume of sugar exports last year was 14.5 per cent higher than that of 1985, yet earnings of BD$72m were only 9 cent higher.

The contraction of the market has also led to some rethinking about the use of land for sugar cane. The area under canes is being reduced from 32,000 acres to 25,000 acres. Land use is being diversified, with more attention to crops which can tolerate the island's uncertain climate and its fragile soils.

There is increasing attention to cotton, with the land planted being expanded by 65 per cent to 1,750 acres by next year. Production last year was 125,890 kilos of lint which earned the island BD$2.7m.

There are also efforts to expand production of several other crops, such as peanuts, onions, edible tubers and vegetables, with the aim of achieving self-sufficiency and cutting the island's food import bill which reached BD$159.8m last year, BD$4.5m more than 1985.

Livestock production is expanding, especially poultry output which grew 17.6 per cent last year, while milk production rose 8.8 per cent to 4.4m kilos. The increase in output of the non-sugar agricultural sector contributed to a 4.5 per cent expansion in agricultural output last year.

The effort to expand output in areas other than sugar will be intensified, following the completion by the Government of a five year plan for agricultural development.

Officials of the agriculture ministry say the plan is aimed at raising foreign earnings through increased output, and encouraging more farmers by increasing their earnings.

The plan, which will be implemented next year, will increase the pace of diversification, and put under-used areas under livestock through technologically advanced methods of irrigation. The drive to increase exports will be led by the Barbados Marketing Corporation, which is being set the task of doubling the island's agricultural exports within a year. Barbados earned BD$15.2m from non-sugar agricultural exports last year.

One of the aims of the five year plan, one official of the agriculture ministry explained, is to encourage more Barbadians to look seriously at farming, with the government providing the incentives. One of these will be credit to farmers, most of which has gone in the past to sugar cane farmers.

But Barbados' size will limit the extent to which the programme will be successful. Twenty per cent of the land has either been taken up by buildings or is unsuitable for any form of agriculture, and another 65 per cent is already under cultivation.

**Canute James**

## BARBADOS 3

Manufacturing output is slipping, reports **Canute James**

# Painful exports decline

THE INDUSTRIAL sector has been hit by a series of setbacks which has affected the production of electronics and garments. Manufacturing output, which increased 8 per cent last year after a 9 per cent decline in 1985, is again slipping. Between January and September, output was 12 per cent below the first nine months of last year.

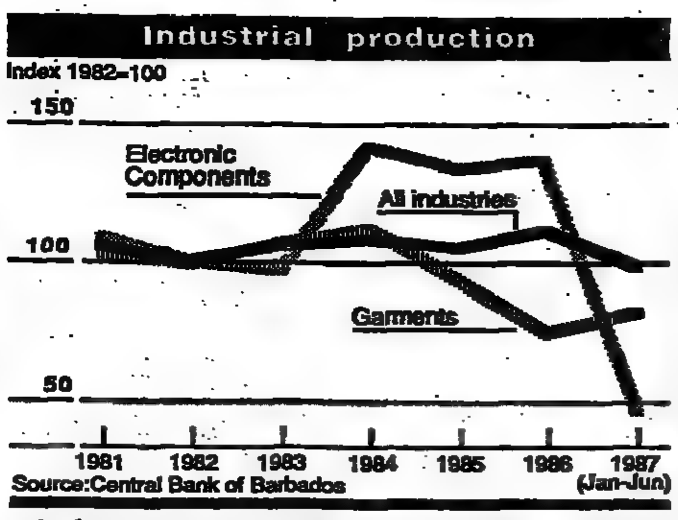
Particularly painful has been the decline in exports of electronic goods, mainly to the US. The island has become a major centre for electronic assembly with plants established by US companies and others, owned locally, producing under contract for the US market.

Earnings from the exports, which range from components for defence systems to hearing aids, fell from US$151m in 1985 to US$115 million last year, due mainly to the shutdown of a large plant operated by the Intel Corporation of California.

The industrial sector and the island's economy also suffered from reduced exports of garments because of import restrictions imposed by neighbouring Trinidad and Tobago, a major market for Barbadian manufacturers. The Trinidadian restrictions were intended to stem a drain on that country's foreign reserves, following reduced earnings from oil.

Mr Teddy Griffith, General Manager of the Central Bank, said the decline in industrial output this year reflected the loss of Intel's output, and cutbacks by another large company. "However, there was some increase in the output of processed food. Most industrial companies have been unable to replace lost regional markets or to penetrate new markets outside the region. There are indications of a slight upturn in the garment sector as a result of improved local sales as the incentives in stamp duties have made extra regional imports less competitive."

"We are not yet out of the woods," agreed Mr Rawle Chase, General Manager of the Barbados Industrial Development Corporation. "We have expanded the garment sector, although we lost a major factory at the end of last year. They were here for 13 years and could not be replaced immediately."




Intel's decision was the result of the "shakeout" in the electronics industry; and the subsector has not recovered. "There has not been much new activity in electronics recently," says Mr Chase, "except for one firm which is producing radar equipment. Neither has this subsector yet managed to make up for the jobs which were lost. When Intel closed we lost 1,000 jobs."

The island has, however, become more aggressive in promoting itself as a location for data processing operations. Following the establishment of a plant four years ago by American Airlines, the Industrial Development Corporation says three new companies are to start operations soon, and that there is still an intensive drive for getting data processing subcontracting.

Caribbean data services, the American Airlines subsidiary which started as a US$3m venture, is to employ 200 more workers over the next year, bringing its work force to about 650. The company processes ticketing data for American Airlines, and its operations were being widened to include transcribing and computerising taped medical data for several hospitals in the United States. The company said that in locating on Barbados it had saved about a half of what it had cost when the data was processed at facilities in Oklahoma.

It appears also that the garment subsector is recovering. The protectionist measures implemented by Trinidad and Tobago were angrily condemned by Barbados and other members of the Caribbean economic community. With the closure of several garment plants predicated on the Trinidadian market, garment production fell 19 per cent in 1985 and 20 per cent last year.

Mr Lalu Vaswani, head of the garment group of the Barbados Manufacturers Association, reported recently that local garment sales in the first half of 1987 were up by 15.9 per cent. "Once we have a bigger domestic base to cover our overhead costs, when we can more easily penetrate export markets on a marginal costing basis."

The promise of increased exports followed a decision by Trinidad and Tobago to ban imports of all but a few categories of garments from outside the Caribbean community, and to remove barriers to imports from its community partners. This coincided with a package of measures implemented by the Barbadian Government to stimulate local industry.

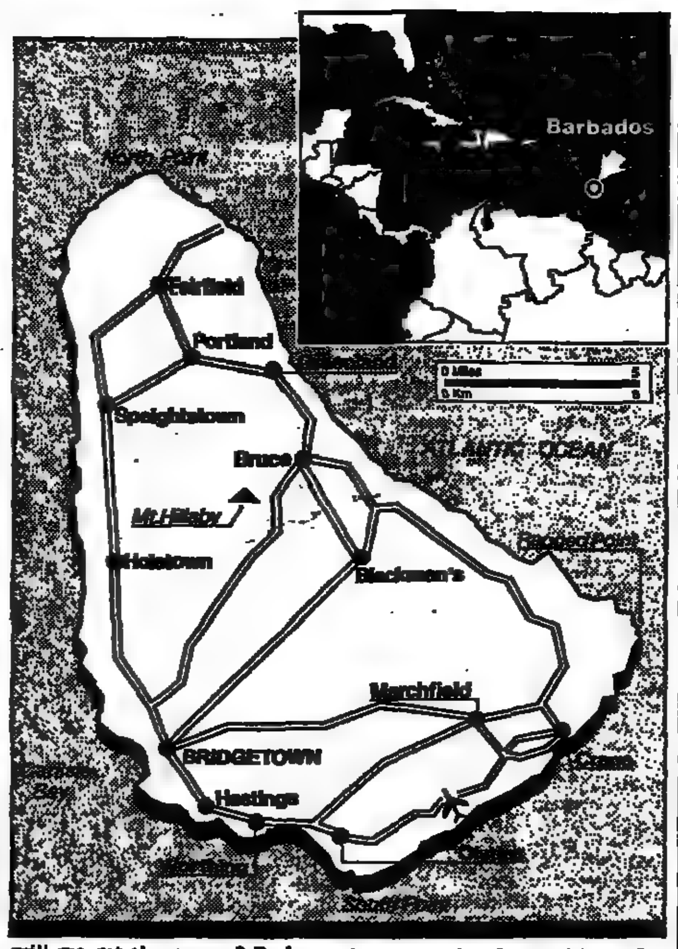
The measures include an increase in stamp duty on imports from outside the Caribbean community from 12 to 15 per cent. Imports from community members, which were subject to stamp duty of 12 per cent, now attract duty of 10 per cent. A new private sector venture capital company is to buy shares in local companies, as part of an effort to improve a high debt-equity ratio in the island's industrial sector, while the Barbados development bank is to provide funds to finance the development of small businesses.

This followed a reduction in personal and corporate tax rates which government officials said was intended to stimulate production.

"There is now increased activity by small manufacturers in garments," says Mr Chase. "This follows the measures taken by the government to reserve the local market for garment manufacturers. We are looking towards higher quality garments produced by small designers who are very real entrepreneurs, and this promises well for the future."

But Mr Chase, and Mr Al Knight, President of the Manufacturers Association, agree that the industrial sector is not yet out of the woods. "The manufacturing sector went through a bad patch, but things have levelled off now," says Mr Knight. "The sector is no longer going downhill but it still needs some help. Provisions in the recent budget have enabled the garment sector to see the light. The Manufacturers Association has just discussed a five year plan, and we are trying to get some help from the government."

Mr Knight said one of the more encouraging recent developments for the manufacturers was an indication that they and the government can work together. However, he said one major problem was the immediate need for funds to refurbish plants. "The question is: where will we get the money? Perhaps from the private sector itself but manufacturers do not have the capital. It will come, perhaps, through joint ventures."




Ventures in heavier industry have had mixed fortunes. A cement plant, owned by the Barbados and Trinidad governments, has been described as a bad investment by a government minister. New partners are being sought and Colombia and Venezuela are frequently mentioned.

Crude oil output was reduced last year by 18 per cent to 558,970 barrels when it became cheaper to import rather than drill. Local output meets about half of national demand.

The Barbadian industrial sector has also suffered from economic policies implemented by several of its neighbours. Currency devaluations in Jamaica, Trinidad and Tobago and Guyana have made Barbadian products more expensive on these markets, but the devaluations have also given these countries a competitive edge over Barbados in attracting new investments in industry.

"The devaluations in Trinidad, Guyana and Jamaica have made it difficult for us to compete," agreed Mr Knight.

Mr Chase said Barbados has been put in the position of a high cost producer, when compared with some of its neighbours. "Investors looking to do long-term business will turn to us, and we compensate by holding costs and increasing productivity," he explains. "If there are mobile companies looking for low wages and quick turnaround, they will find our neighbours more attractive. We are not an assembly-type society and we do not want to go back to that as the wages which are paid in Barbados cannot afford that."

There is, however, optimism that the island will be able to make use of an improved industrial climate, particularly in recovering what it has lost in the electronics subsector, and overcoming early problems which have bedevilled attempts to break into new areas. In one of these, an attempt to develop an export market for furniture, through the establishment of a co-operative, ran into problems with delivery schedules after a buyer was found in the US.

"Despite all this, there is significant demand for space from small manufacturers involved in food processing, garments, and data processing," Mr Chase reports. "We feel more confident than we did a year ago."

Henry Forde

# An eye on the future

Mr Forde: undaunted

THE BARBADOS Labour Party could have sunk into political oblivion after last year's elections which saw its previous majority massacred and only three of its members returned to parliament. Even the former Prime Minister Bernard St John failed to keep his seat in the most devastating poll defeat ever suffered by a Barbadan party.

The man chosen to lead the BLP, and who has single-handed kept it on the political map, is Mr Henry Forde. The 54-year-old lawyer had his political baptism by fire in the heady 1960s as attempts at Caribbean federation collapsed and the groundwork was laid for independence. Mr Forde headed a group called the under-40s which was preoccupied by the dominant political question of the time - whether Barbados should go into independence alone or in a federation with other Eastern Caribbean states.

It was not until 1971 that Mr Forde joined forces with the Barbados Labour Party. He has been returned to parliament with a comfortable majority at every election since. On the strength of a Barbados Scholarship, Mr Forde entered Christ's College, Cambridge in 1952 and was called to the Bar at the Middle Temple, London, in 1959.

Before returning to Barbados in 1959 he became supervisor and tutor in International Law at Emmanuel College. This followed a stint as research assistant in the department of criminology and a research student in International Law.

Between 1977 and 1981 he served as the island's Attorney General. Some legal experts argue that during his tenure he oversaw one of the great legislative reform periods in the island's post-independence history. Laws were introduced giving women equal status, a new Companies Act and the Tenantries Freehold Purchasing Act which sought to offer more protection to poorer sections of the community.

Mr Forde is undaunted by the task facing him. He maintains a running and lively commentary on the political and economic record of Prime Minister Sandiford's Government.

His attacks on Government policy - widely quoted on national television and in the two local daily papers - have kept him in the public eye and the Government on its toes. Commenting recently on what he sees as the Government's disastrous economic policies, he was moved to say: "I would believe that the country at this stage would wish the economy was in the hands of the opposition, despite the fact that we are only three."

At the party's 49th annual conference this month, Mr Forde launched his strongest attack on the Government's economic track-record. "The immediate future for Barbados holds forth the promise of more taxes, more unemployment, higher prices, more debts and possible devaluation," he said.

He added that "this dismal situation" was made all the more intolerable by the Government's inability to "institute short-term management policies to correct the drift in the country's economic affairs".

Mr Forde was almost as hard on his own party as he was on the Government. He endorsed the findings of a committee set up to review the party's dismal performance in last year's elections which warned that "parliamentarians should never fail to listen and to heed the complaints and criticisms of their supporters".

"Preoccupied as some parliamentarians were with the exigencies of office, they lost sight of the need to keep the party strong and to keep close to the grassroots," Mr Forde said.

He has started the process of whipping all party members into line and into action. He is obviously a man with an eye on the future. On his own, he has had this to say: "When one is leader of the opposition, one must prepare for being leader of the Government."

**Caroline Southey**

Erskine Sandiford

# Federalist but a realist

The Prime Minister of Barbados has had a hard act to follow. Mr Erskine Sandiford took over the reins of power following the unexpected death in May of Mr Errol Barrow - a popular, people's man and renowned statesman who led the island to independence in 1966.

Mr Sandiford's style is in marked contrast to the flamboyant Mr Barrow who once referred to US President Ronald Reagan as "the cowboy in the White House", refused to live in the official PM's residence and boycotted a new $6m Central Bank complex on the grounds that it was a waste of taxpayers' money.

A teacher by profession, Mr Sandiford has provided the lively Barbadian press with few headline-grabbing stunts. His caution has earned him respect in some quarters but has frustrated others. "Bajans have been spoilt by strong leaders like Barrow and Tom Adams and we are taking time getting used to men who do not have the same presence," a political commentator said.

Mr Tom Adams, like Mr Barrow one of the leaders in the independence movements of the early 1960s and a household name in Barbados, died in office in 1985. He was succeeded by Mr Bernard St John who led the Barbados Labour Party into disastrous elections in 1986, when the Democratic Labour Party led by Mr Barrow was returned to power by a massive majority after 10 years on the back-benches.

Although some controversy has surrounded Mr Sandiford's succession, two factors left little doubt that he would take over from Mr Barrow.

The first was that he had worked closely to the late Prime Minister since he was first appointed as his personal assistant in 1966. That he was being groomed for office became apparent when, shortly before his death, Mr Barrow noted: "After me it is Sandy, then Philip and then any number could play . . ."

The second was that the teacher turned politician is the longest serving member of the Democratic Labour Party.

Mr Sandiford: cautious

Mr Sandiford sets great store by his years of close association with Mr Barrow. "I worked very closely in the political field with the late Prime Minister in what you call the backroom of the party. He asked me to be his personal assistant and I worked with him as such for one year. I then became his Minister of Education. In that capacity I worked for eight years and then also as Minister of Health. For 20 years, from the time of independence, I was associated with him in political life."

Born in rural Barbados in 1937, Mr Sandiford excelled at school and through a series of scholarships entered the University College of the West Indies, forerunner to the University of the West Indies. He later took his Master's in economics and social studies at Manchester University where he wrote a thesis on the interrelationship of the Caribbean states.

The integration of Caribbean states has remained a focus of Mr Sandiford's political life. Despite the dismal failure at efforts to unite the islands politically (the Federation of the West Indies collapsed in 1961 after the withdrawal of Jamaica and lost all momentum after independence was gained by the islands successively through the sixties) and a continual losing battle at economic integration, Mr Sandiford says he remains "a federalist at heart".

"I have given considerable thought to Caribbean integration. I was educated in Jamaica and for the first time I was in close touch with students coming together from all the areas of the Caribbean. That really did something for opening my own vision of the Caribbean. The University of the West Indies itself was and is an experiment in Caribbean integration."

But, he adds: "I am also a realist. Although I am fully committed to the Caribbean and the integration of the Caribbean I know that there have been many attempts at federation and all have stumbled. For the Caribbean as a region I don't think that federation would work. We have to find other means of cementing the search for integration."

He has wasted no time in pursuing this cause. Shortly after becoming Prime Minister, he urged his Caricom partners to give serious consideration to the establishment of a "Caricom Parliament" of government and opposition MPs. Little credence is given to the idea by political observers, but Mr Sandiford feels it is an avenue worth exploring since contact between countries is limited presently to senior politicians.

"The present pragmatic approach method of functional co-operation is the most propitious at this time. An assembly of parliamentarians would allow representatives of the people to be associated with the movement and to understand the presently esoteric arrangement among senior bureaucrats."

The second greatest passion in Mr Sandiford's life is education. Barbados has the highest literacy rate of all the Caribbean islands and has a proud record of high standards.

"I believe in the capacity of education and training for shaping the destiny of a country. I am not talking only about a curriculum in a school but the impact a family has, what happens in the workplace and how workers develop their skills, and the interaction that takes place at community through sport and culture. All of that, broadly, I call the educative process.

"I know that education has done a lot for me and I seek at every opportunity possible to give something back. I believe that one of the things that has been going very much for this country is the investment it has made in education. All Barbadians have access to education and this means an educated workforce and one that is trainable."

Mr Sandiford has moved swiftly to consolidate himself in power to lead Barbados through to the end of one of its most difficult decades this century. Not all his moves this far have been popular, and it is clear he will have to take some unpopular decisions to shore up a depressed economy. But he remains quietly confident.

He is conscious of the pressures he is under, particularly the expectations of him filling Errol Barrow's shoes. "It is not easy to follow such a leader," he says. "But life goes on and we can only take strength from the privilege of having worked with him."

**Caroline Southey**

**Canute James** on Barbados' major foreign currency earner

# Push for Europe's tourists

WHEN LORD NELSON sailed into Barbados in June 1805, he neither came as a tourist nor intended to stay long. He is, in a form, still there, represented by Sir Richard Westmacott's bronze statue which dominates Trafalgar Square, Bridgetown.

Today's tourists hardly contemplate staying that long - an average of 6.2 days, say tourism officials - and, unlike Nelson, they prefer the island's many beaches to Bridgetown's central business district.

But those who follow in Nelson's footsteps are contributing to an industry which is now a major foreign currency earner for Barbados. Although most tourists come from the US, it is Britain, and other parts of Europe, which hold the greatest promise for expansion.

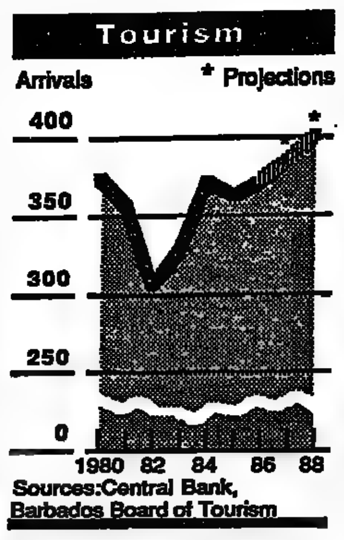
"Our tourism is benefiting from the economic situation in Europe," said Mr Anthony Arthur, Deputy Director of Tourism. "We are getting increasingly competitive in the UK and West Germany, and since June we have been registering clear growth in these markets."

Because of the falling value of the US dollar - to which the Barbadian dollar is tied - against European currencies, European visitors are finding Barbados a good bargain. While the US accounted last year for 45 per cent of the 369,700 tourists who visited Barbados last year, the UK market grew by 22.6 per cent over the 39,000 visitors of 1985.

"We have done several things to increase our share of the European market," Mr Arthur explained. "In the UK we negotiated special charter packages from Manchester - which we have not had since the collapse of Laker Airways - and this has increased our catchment area in the Midlands. We expect to have a 20 per cent increase each month in our tourist traffic from the UK."

Last year's total stayover arrivals were three per cent higher than 1985. The target for this year is 380,000, and the industry appears on the way to achieving this since in the first six months of the year the volume of arrivals was 7.3 per cent higher than the corresponding period of last year. Tourism administrators say they are aiming for 400,000 visitors in 1988.

The fickleness of the industry, however, leaves it open to influences which cannot be controlled by those who run it in Barbados. Barbadian tourism was able to handle problems expected after October 1983 when the island was used as the launching pad for a US military invasion of neighbouring Grenada. Rather than declining through adverse publicity as hoteliers feared, the industry recorded an increase in visitor arrivals the following year.




Now hoteliers are worried about another factor which could harm the growth targets. The recent turmoil on the international stock exchanges could lead to cancellation of reservations, and affect the peak winter season trade. "In times of financial uncertainty, the first thing that is cut from the household budget is the holiday overseas," suggested one hotelier.

But the island has also benefited from recent international developments which have affected the patterns of international holiday travel. Like most of its Caribbean neighbours, Barbados gained last year from the reluctance of Americans and Canadians to travel to Europe because of what was perceived as escalating international terrorism.

But Barbados, using its natural climatic resources as a base, has been able justifiably to promote itself as an island with a long record of political stability (unlike some competing neighbours such as Jamaica and the Dominican Republic) an important factor which influences travel agents' decisions in recommending holidays for clients.

While most holidaymakers visit Barbados for the sun and the sea, the industry has been trying to diversify attractions to cater for special interests as part of an effort to broaden its market base. The industry lays great store by sporting events including cricket, hockey and windsurfing. Mr Arthur says the island is regarded as being in the world's top three locations for windsurfing.

An international jazz festival, which has brought in many visitors from the US, is likely to become an annual affair, while the local "Crop Over" festival in midsummer is an attraction for Barbadians living overseas.

The industry, however, has frequently suffered from a shortage of airline seat capacity from major markets. The shutdown earlier this year of the state-owned Caribbean Airways reduced access for tourists travelling from Europe - a problem which was not immediately solved because of a protracted row over route rights between BWIA of Trinidad and Tobago and the Barbadian government, on the one hand, and British Airways and the British government, on the other.

The recent agreements with charter companies out of the British Midlands, and others being negotiated to ferry visitors from Milan, Bonn and other cities in continental Europe, will improve the quantity of airline seats onto the island.

The Canadian market suffered similar problems with the collapse of a major tour operator five years ago, leading to a decline in the volume of Canadian arrivals. A new agreement with a Canadian charter company has made the island more accessible, leading the industry's administrators to forecast an improvement on last year's 15 per cent fall in arrivals from Canada, in the hope of surpassing soon the 92,000 of 1979.

A holiday in Barbados has been, at times, considered to be expensive when compared with the island's neighbours. Now, however, the hotel industry is claiming improved competitiveness, aided by a government decision to reduce taxes paid by hoteliers, and cutting utility rates and taxes on food and beverages imported for hotels.

The average room rate in May 1986 was BD$118, rising to BD$121 in May 1987 and there have since been further increases in revenue due to higher occupancies. Occupancy levels in August, for example, were 11 per cent higher than in August 1986. Hoteliers say the higher occupancies are being achieved without any cutbacks in room rates, reflecting increased profitability for the island's resort properties. Payroll costs per occupied room have fallen from BD$73 in July last year to BD$62 in July this year. There was also a fall in average energy costs, while the average length of stay moved from 5.8 days to 6.2 days.

But Barbados, like the rest of the Caribbean, records comparatively low earnings from hotel rooms while operating costs are still high. According to a recent survey by the Caribbean tourism research and development centre, based in Barbados, total revenue per available room was approximately US$40,000 per year for Caribbean hotels, compared with US$35,000 in the Pacific and US$29,000 worldwide.

"Income before fixed charges was only US$6,600 per available room in the Caribbean, compared with US$11,000 in the Pacific and US$8,000 worldwide," the Centre said.

"This is primarily due to higher operating and undistributed expenses in the Caribbean hotels." Departmental payroll and related expenses per available room in Caribbean hotels are 37 per cent higher than the worldwide average and 42 per cent higher than in the Pacific. Average costs per available room for food and beverage in the Caribbean are 40 per cent higher than the average for the world, the Centre explained.

The rate of growth in the volume of stayover visitors to Barbados is being exceeded by the expansion in the island's cruise ship business. The island is being marketed heavily in the US headquarters of major cruise shipping lines, and this has been backed by an expansion of local port facilities, with plans for special shopping and recreational areas.

The volume of cruise ship visitors last year was 30 per cent higher than the 122,222 of 1985 - which was 23 per cent more than 1984. In January to August 1987 cruise visitors totalled 174,253-72,553 more than the corresponding period of last year. It is expected that by the end of the year a total of 429 cruiseships will have called at the island, against 292 last year. Bookings for 1988 are already showing 357 ships will call.

There is adequate hotel capacity to handle the expected growth in the industry, according to hoteliers and tourism administrators. The island's current hotel capacity is 7,000 rooms, with 14,000 beds.

Sport

# Cricket still king despite diversification

WHEN BARBADOS became independent in 1966, it chose as one of the events to mark the occasion a cricket match against the rest of the world, no less.

The challenge may have been arrogant and Barbados suffered for its bravado with a heavy defeat. Yet it seemed the perfectly natural thing to do, not simply because the Barbados team at the time was strong enough to hold its own in any company (of the 17 members of the West Indies team which toured England in 1966, nine were Barbadian) but, more relevantly, because cricket has had a major influence on Barbadian society.

Cricket is the one activity that, from its earliest days, fostered a mutual respect and understanding between the different races and classes, all of whom played and followed it with a passion. As the one field of endeavour for which Barbadians have been internationally renowned, cricket has generated that intense feeling of pride from which came the 1966 challenge to the world.

The list of illustrious Barbadian cricketers is long and varied and spans many eras. Since the island played Demerara, in the first major match ever played in the Caribbean in 1865, Barbados has produced cricketers of the highest calibre - and they have come from all sections of the community, black, brown and white, rich and poor.

Barbados has won the regional Shell Shield competition more than all the other five teams put together and has defeated a host of touring teams. Cricket continues to be the king of sport but its power is no longer as pervasive as it once was. There has been an enormous sporting diversification since independence and, while Barbados can still boast several of the outstanding players of the day and can still beat England (as it did in 1986) the attention of Barbadian sportsmen is no longer occupied by cricket alone.

As recently as 30 years ago, the sporting calendar at the schools was divided into three distinct seasons - cricket, soccer and track and field. Now the young Barbadian can, and is, turning to hockey, basketball, volleyball, surfing and squash. Tennis and golf, previously the preserve of the social elite, now are attracting those who would have previously concentrated on cricket.

Cricket does remain the only sport at which Barbados can realistically compete at international level and the only one that offers professional opportunities - a strong incentive. Those at the top now do well out of it with teams in England, Holland, Australia and, controversially, South Africa forking out good money for good players.

The island is too small to support such professionalism but an average of two dozen Barbadians now earn their living from the game overseas. Whether they are paid in sterling, Australian dollars, Guilders or Kruggerands, their earnings are welcome foreign exchange when repatriated. And it is the potential of sport as a foreign exchange earner in a different direction that has been appreciated and exploited in the past decade.

The development happened as a matter of course. With its cricketing reputation and settled year-round weather, Barbados began attracting club teams from England on playing-holidays in the early 1970s. The idea of enjoying a vacation away from the English winter while, at the same time, playing against West Indian opposition in exotic conditions, proved a winner and, as word spread, tour operators were falling over themselves to organise such groups.

The link between sport and tourism has been made

Cricket, as was only right and proper, led the way. Other sports, such as hockey, surfing (both wave and wind), rugby and tennis have followed suit. Cricket remains the most popular with up to 30 teams, varying in strength from full county to ordinary village, touring annually, mostly in the slow tourism months of October and November.

Cricket and other sports have arranged special festivals to exploit further the market and two former England fast bowlers run their own travel companies. The local men's and women's associations have organised a festival of their own in the last week in August over the past two years and the second, with over 30 teams from Europe, North America, Canada and the Caribbean and 600 overseas players, was the biggest single hockey event staged anywhere in the western hemisphere.

Another new entry to the sports-tourism calendar is the Atlantic Race for Cruisers (Arc), initiated last year from Tenerife to Bridgetown with over 200 yachts of several nationalities, sizes and crews, from professionals to those whose previous experience extended no further than the nearby lake. The 1987 race starts in the first week of December and nearly 300 yachts are expected to converge on Bridgetown Harbour at the end of it, staying for anything from a week to a few months.

Also in December, the Run Barbados events, one over 10 kilometres the other the full marathon, has become one of the biggest of its kind in the region with more than 500 competitors from overseas, from Olympic standard to casual joggers, expected at this year's.

Government may have been somewhat late in spotting the potential of the sport-tourism market but is now making up for lost time. Barbados' most illustrious sporting son, the cricket great, Sir Garfield Sobers, was brought back from Australia, where he was resident as a coach, and assigned to be sports consultant to the board of tourism. Another cricketing legend of the 1960s, the fast bowler Wes Hall, elected to the House of Assembly in the Democratic Labour Party (DLP) landslide victory in the 1986 elections, now holds the tourism and sport portfolio in cabinet.

His job is not so much gathering in more visiting sportsmen as providing facilities for them and for local sportsmen. Even cricket, in spite of its immense popularity, is short of proper grounds. There is no Olympic-size swimming pool on the island, basketball, a big spectator sport, has to use a small outdoor stadium and a concrete surface, hockey has no artificial surface, obligatory for international matches, and has to share cricket grounds.

**Tony Cozier**

Culture

# Arts come of age

BEFORE INDEPENDENCE, the arts had been largely neglected. Barbadians were seen by their neighbours as staid and culturally dead. They might have been disciplined, organised, hardworking and could play cricket, but that was about all. There was only one serious theatre group in 1966, the Green Room Players, who reached only limited audiences. What dance there was, was mainly classical ballet and confined to the upper classes, as was painting. An attempt to copy Trinidad's carnival in the early 1960s fell flat and Barbadian calypso was an object of ridicule on the other islands.

Barbadian "culture" was then mainly exemplified by the tuk-band, a group comprising penny whistle backed by kettle and bass drum, which toured villages in fancy dress on public holidays for money or drink and food, and the Landship Movement, an island-wide co-operative run as a naval operation, complete with trappings of uniforms and ranks.

The fact was that native culture was officially discouraged (the beating of drums by slaves had been banned by law in 1675) and the tuk-band, the Landship and folk music were about as much as survived, as they still do. The spirit of independence itself was a catalyst for the renaissance.

The Merrymen, a group of white Barbadians, made folk music widely popular in the early 1960s and 1970s, becoming internationally known for their distinctive style. Several dance groups, with heavy emphasis on African-inspired rhythms, were started. Yoruba Yard, a cultural foundation, was established to activate interest in Barbados' African heritage. Community-based theatre groups and playwrights, developed.

Suddenly Barbadian artistes emerged with new-found confidence, the growth of the tourist industry offering them financial opportunities at nightly shows at hotels and nightclubs and at art shows. The Rastafarian movement, frowned on by a strongly conservative society when it moved south from Jamaica in the 1970s, has produced a great group of talented young craftsmen, mainly in leather.

The artistic revival has had a succession of positive stimulae in recent years. None has been more spectacularly successful than the reintroduction and development of "Crop Over" into an annual national festival, much along the lines of Trinidad's carnival. Originally an event to mark the end of the sugar harvest, Crop Over's association with sugar is now tenuous. Some of the trappings still remain with the ceremonial delivery of the last canes and the crowning of champion cane-cutters but it is now staged in August, long after the official end of the sugar crop, but at an opportune time for the tourist industry.

It has become a typical carnival, with its parade of costumed bands, its revelry and, like Trinidad, its calypso shows and competitions. Through Crop Over, calypso has become as much a part of Barbadian life as it is in Trinidad, providing social comment, much of it biting, on the issues of the day.

Just as Crop Over fuelled calypso, so too did the hosting of Carifesta (the Caribbean Festival of Creative Arts) in Barbados in 1981 sensitise dance, theatre and art. Held once every four years on a rotating basis throughout the region, Carifesta brought a new and exciting awareness to Barbadians who had been exposed to the arts in a haphazard, limited way. Nifca, the National Independence Festival of Creative Arts, which coincides annually with independence, was given new impetus.

The National Cultural Foundation, a direct result of Carifesta, was established by the government in 1984 "to stimulate and facilitate the development of culture generally, to organise cultural festivals and to do anything necessary or desirable to assist persons interested in developing cultural expressions."

Facilities had to be provided to keep pace with such developments. Queen's House, the residence of the British commander in Barbados at the turn of the century, has been refurbished to include a small, modern theatre and an expansive art gallery. An impressive new entertainment hall, named in honour of one of Barbados' foremost folklorists and poets, the late Frank Collymore, is included in the central bank building and is constantly in demand.

A national art gallery has been established and a national art collection is soon to be started. Theatre arts, music and dance have been added to the curriculum at the Community College and the Prime Minister, Mr Erskine Sandiford, has recently announced that a new arts complex is to be built.

**Tony Cozier**

# CONSTRUCTION CONTRACTS

## Apartment block at Portsmouth marina

JOHN LAING CONSTRUCTION, Winchester, has been awarded a £13m contract for a development in Portsmouth by Regalian Properties in association with Arlington Securities. Work has started and involves construction of 167 apartments adjacent to the new Port Solent Marina. The Port Solent Apartments will consist of two linked seven-storey blocks, due for completion in May 1989. The main construction comprises piled foundations, a reinforced concrete superstructure with brick external cladding, together with some curtain walling and windows.

## Viaduct face-lift

J. JARVIS & SONS' community programme division has started work on a £3m face-lift scheme for the Stockport Railway Viaduct. It will take two years to complete, and to provide work for 700 people from the long-term unemployment register. Called the Stockport Viaduct Venture, the work has been made possible by a £2.2m grant from a partnership of the Manpower Services Commission, British Rail, Stockport MBC and the Railway Heritage Trust. The half-mile long viaduct with its 27 arches over 120ft high is said to be Europe's largest brick-built structure and a masterpiece of 19th century engineering.

## Bloomsbury offices

MYTON has been awarded a £3.5m construction and refurbishment contract at Elm House, London, an office block previously occupied by Thomson International Publishing, on behalf of the new Swedish owners Citadellet through Central London Securities.

Myton, a construction and specialist refurbishment company in the Taylor Woodrow Group, will undertake this fast-track project in only 30 working weeks, with completion due in May. Elm House, Bloomsbury, an office block completed in the 1960s, will be given a new face and equipped for the high technology needs of the 1980s.

Externally the building will take on a fresh appearance with the use of a new specialist enamel finished metal cladding, the replacement of windows with double-glazed units, and at ground floor level, the reconstruction of the entrance facade. Internally the building is being stripped out and refurbished. This work will include replacement of all services in particular provision of air-conditioning, new toilets, raised access deck flooring, and finishes throughout.

## Mercedes complex in Muscat

WIMPEY ALAWI, the Oman subsidiary of George Wimpey, has been awarded a £5m contract by the Zawawi Trading Company in the Sultanate of Oman. The 13-month contract, which starts this month, is for the redevelopment and extension of the Mercedes Benz workshops, warehouses and accommodation complex in the capital, Muscat. The main workshops and warehouse buildings are in structural steel finished with glass-reinforced concrete cladding. Accommodation and administration buildings are to be refurbished and re-decorated.

## AA to have datacentre

JOHN DOYLE CONSTRUCTION has won a contract for the construction of a corporate datacentre for the Automobile Association at Basingstoke. The scheme is a design and build contract valued at £1.7m and work has commenced on a fast-track programme to be completed in 10 months. When completed, two buildings linked by a service spine will provide computer facilities operating continuously 24 hours a day, 52 weeks a year.

## Catering at the RIBA

Improved catering facilities for the Royal Institute of British Architects in Portland Place, London W1, are among several special works contracts worth £2m won by ASHBY & HORNER.

The £109,000 facelift at the architects' headquarters complements the £306,000 contract to refurbish the canteen, kitchens and associated staff accommodation, including the residents' all-night cooking facilities, at the Metropolitan Police section house in Paddenwick Road, Ravenscourt, west London.

Stock Exchange staff will continue to occupy 69 Wilson Street, London EC2, while Ashby & Horner refurbish the computer suite. Similarly, US Navy personnel are to continue operations at 7 North Audley Street, London W1, during a major upgrading of the offices on three floors.

The remaining gains include contracts for Barclays Bank, the Property Services Agency, the Royal Bank of Scotland and shipbrokers Simpson, Spence & Young.

## Building a brick factory

HAYES ENGINEERING, Cardiff, has been awarded a £1m contract by ARC Powell Duffryn Bricks, Risca, Gwent, to build a brick factory at Cirencester.

The plant, which will be commissioned next spring, will create up to 15 jobs and have a capacity of 35m bricks a year. ARC has developed a concrete brick which it claims is leading to the biggest transformation the industry has seen for nearly half a century.

Mr John Bailey, managing director of ARC Powell Duffryn Bricks, says that demand has risen so quickly that the Cirencester plant, the sixth in the group, was essential to cater for long-term development.



## Refurbishing Victorian swing bridge

TILBURY CONSTRUCTION has been awarded a £2.8m contract by the Department of Transport to refurbish the Victorian swing bridge which carries the A17 over the River Nene at Sutton Bridge near Spalding in Lincolnshire.

The swing bridge was built in 1897 to carry rail and road traffic between Kings Lynn and Spalding. It was designed to provide clear passage for vessels bound for Wisbech and includes a balanced cantilever deck pivoting about a central pier. Following the closure by British Rail of the line under the Beeching proposals, the deck and approach roads were modified to provide two-way vehicular traffic.

The Department of Transport identified the need to carry out major remedial work to the structure and commissioned Husband & Co. to prepare detailed proposals for its refurbishment, consistent with its status as a Grade II* listed structure.

Structural repairs and modifications include replacement of the road decks, construction of a new approach structure and repairs to the structural steelwork. To provide increased headroom for goods vehicles the control cabin and the cross bracing will be lifted.

Mechanical improvements are included to provide new rotational drive motors complete with new control equipment. During the replacement of the drive motors Tilbury Construction will provide temporary machinery to swing the bridge.

Improvements to the appearance of the bridge will involve repainting the structure, refurbishment of the control cabin and installation of traffic barriers. Protection from river traffic will be provided by fenders round the existing pier.



**Ente Nazionale per l'Energia Elettrica**

**U.S.$300,000,000**

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**The Republic of Italy**

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest has been fixed at 7.145625% for the Interest Determination Period 30th November, 1987 to 31st December, 1987. Interest accrued for this Determination Period and payable 31st May, 1988 will amount to U.S.$61.53 per U.S.$10,000 Note and U.S.$1,538.29 per U.S.$250,000 Note.

Agent Bank:
Morgan Guaranty Trust Company of New York
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**Banco de la Provincia de Buenos Aires**

*(A public entity organised under the laws of the Republic of the Argentine)*

**U.S.$50,000,000**
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**Redeemable at the Noteholder's option in November, 1986**

For the six months
30th November, 1987 to 31st May, 1988

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Agent Bank:
Morgan Guaranty Trust Company
London

**Wells Fargo International Financing Corporation N.V.**

**U.S. $50,000,000**
Guaranteed Floating Rate Subordinated Notes due 1996

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Sub-period 30th November, 1987 to 31st December, 1987 the Notes will carry an Interest Rate of 7 5/8% per annum. The Interest accrued for the above period and payable on 29th January, 1988 will be US$65.66.

Agent Bank:
Morgan Guaranty Trust Company of New York
London

**Wells Fargo & Company**

**U.S. $150,000,000**

Floating Rate Subordinated Notes due 1992

In accordance with the provisions of the Notes, notice is hereby given that for the Interest period 30th November, 1987 to 31st December, 1987 the Notes will carry an Interest Rate of 7·0375% per annum. Interest payable on the relevant interest payment date 31st December, 1987 will amount to US$60·60 per US$10,000 Note.

Agent Bank:
Morgan Guaranty Trust Company of New York
London

**Isveimer**

**U.S. $100,000,000**

Floating Rate Participation Certificates Due 1992

*Issued by Morgan Guaranty GmbH for the purpose of making a loan to*

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*(a statutory body of the Republic of Italy incorporated under Law No. 298 of April 11, 1953)*

In accordance with the terms and conditions of the Certificates, the rate of interest for the Interest Determination Period 30th November, 1987 to 30th December, 1987 has been fixed at 7 9/16%. Interest accrued for the above period and payable on 29th January, 1988 will amount to US$63.02 per US$10,000 Certificate.

Agent
Morgan Guaranty Trust Company of New York
London Branch

**FIRST BANK SYSTEM, INC.**

**US$200,000,000**
Subordinated Floating Rate Notes Due 2010

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Agent Bank:
Morgan Guaranty Trust Company of New York
London

**N.Z.I. FINANCIAL COMPANY LIMITED**

**U.S.$125,000,000**
**Floating Rate Notes due 1994**

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Agent Bank:
Morgan Guaranty Trust Company of New York
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**HILL SAMUEL GROUP plc**

**US$75,000,000**
Perpetual Floating Rate Notes

In accordance with the provisions of the Notes, notice is hereby given that for the interest period from 30th November 1987 to 31st May 1988 the Notes will carry a rate of interest of 7 13/16% per annum and the interest payable on the relevant Interest Payment Date, 31st May 1988 will amount to US$397.14 per US$10,000 Note.

Agent Bank:
Morgan Guaranty Trust Company of New York
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**BANCO DI ROMA**

**US$150,000,000**

**Floating Rate Depositary Receipts due 1992**

Notice is hereby given that the Rate of Interest relating to the above issue has been fixed at 7.0375 per cent for the period 30th November 1987 to 31st December 1987. Interest payable on 31st December 1987 will amount to US$60.60 per US$10,000 Deposit and US$1,515.02 per US$250,000 Deposit.

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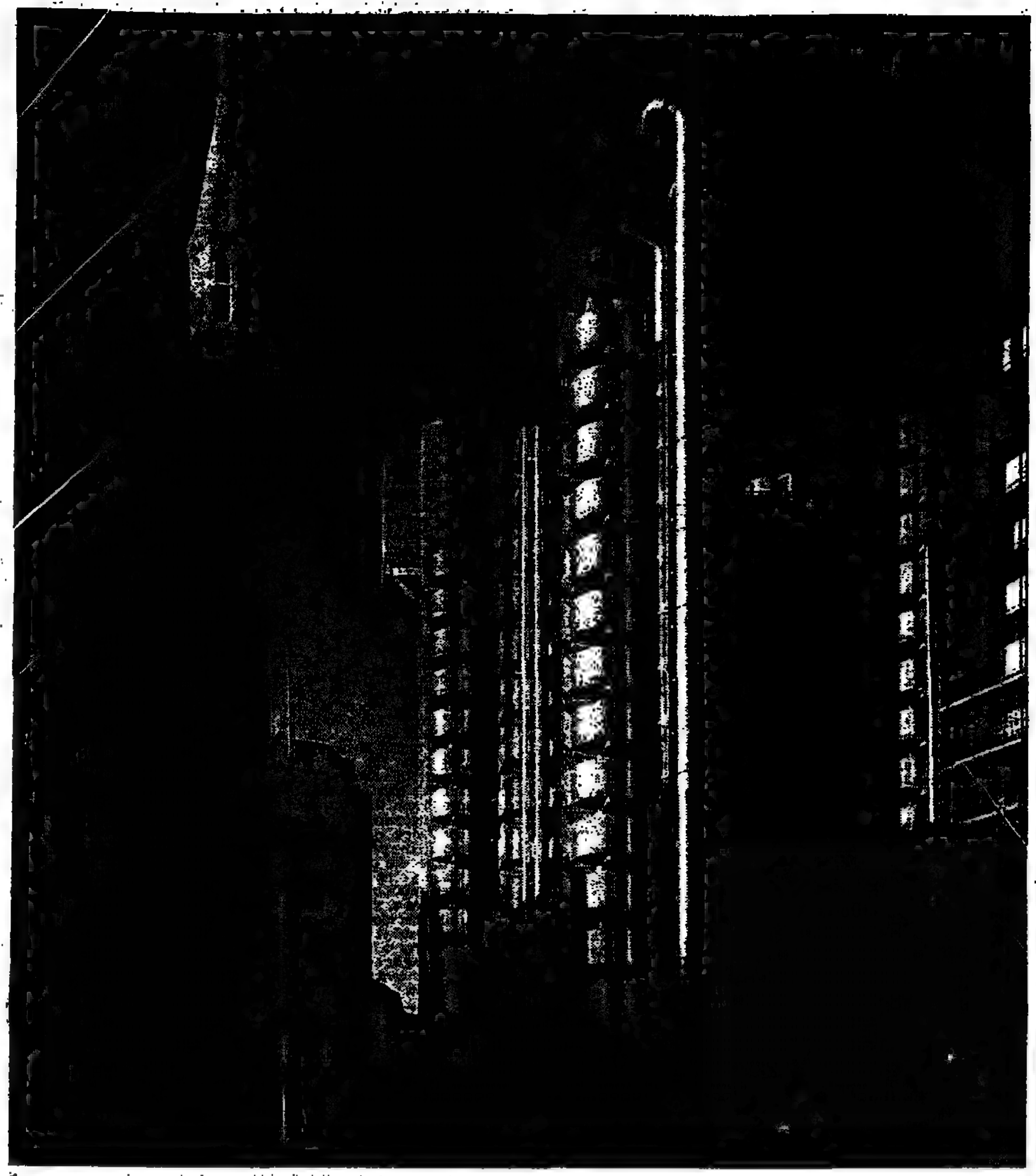
Financial Times

# ARCHITECTURE AT WORK

## 1987 Award for Industrial and Commercial Buildings

### Winner



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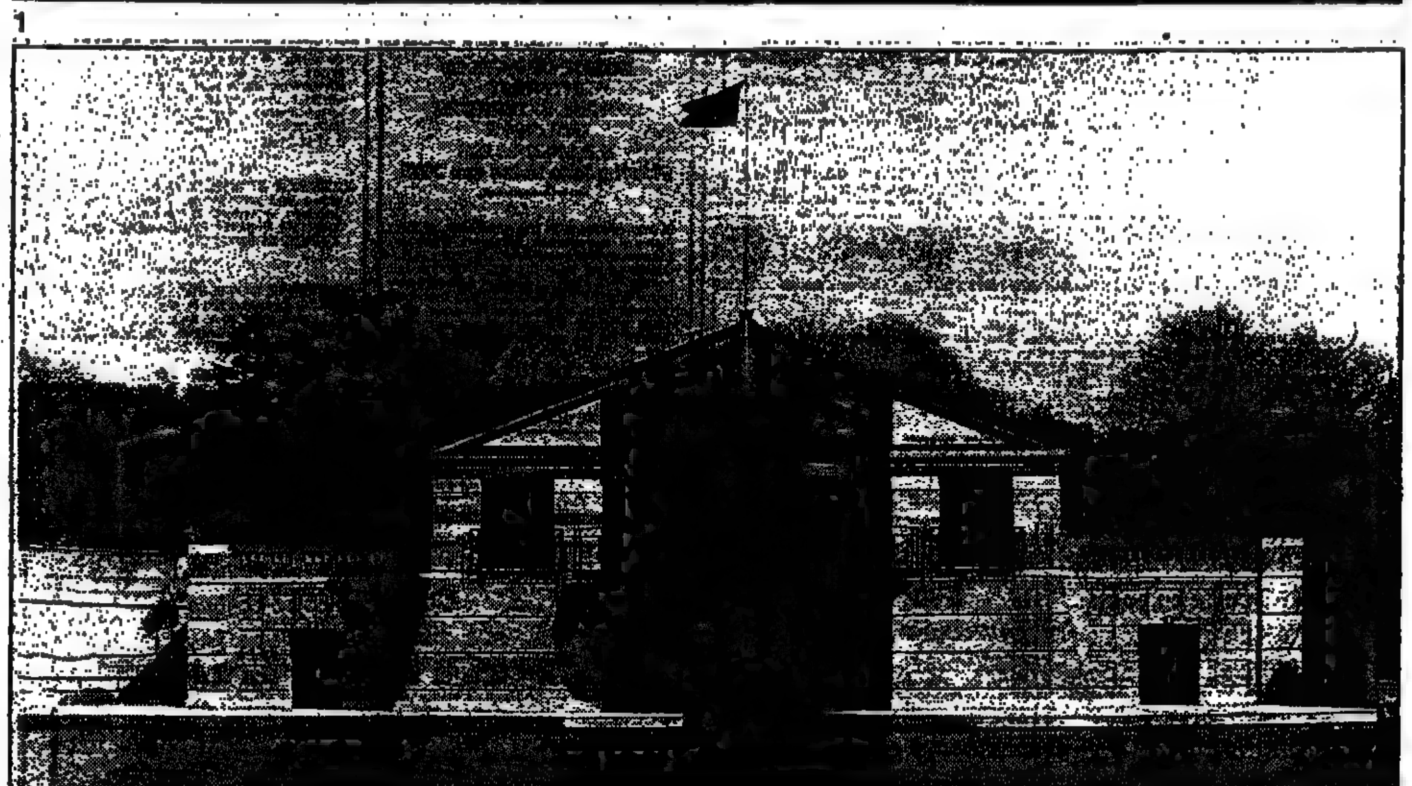

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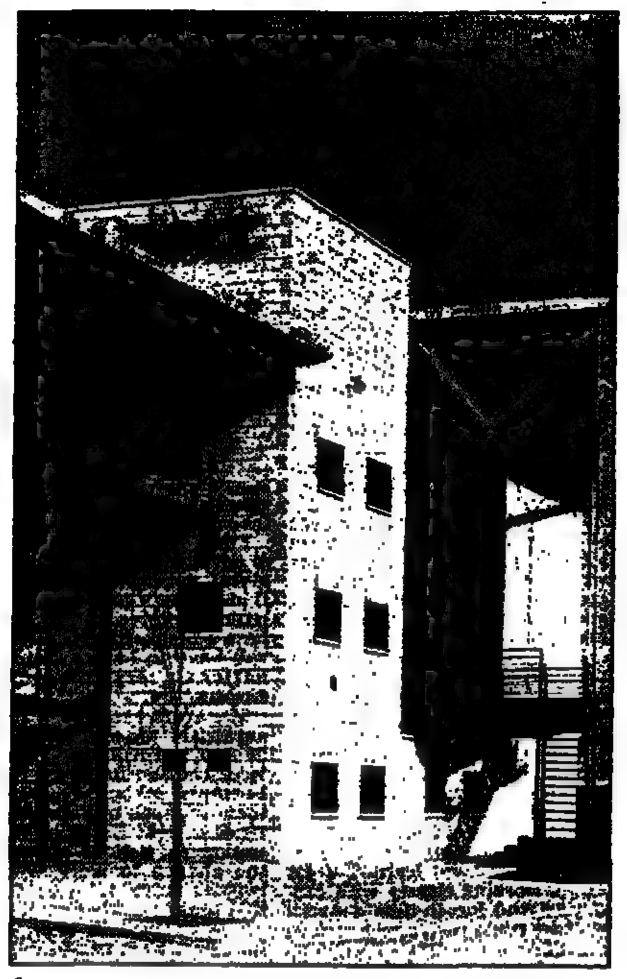

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## 1

The Financial Times Architecture at Work Award for 1987 has been given to **Lloyd's of London.**

Of all the entries, Lloyd's was by far the most important. Bold corporate patronage by a national institution has been rewarded with a unique building that fulfils a difficult brief, is visually arresting and achieves its ambition to contribute to the development of architecture – particularly on a technical and structural level. In addition it provides a good working environment for a market whose members need to work in close proximity to one another. For this reason it is given the award.

In reaching this decision the assessors had to consider the controversy surrounding the building which seems to centre on two aspects of the design: its unusual appearance with its exposed services and its suitability as a place for Lloyd's to work. From the outside, although unorthodox in appearance, it is successful because of its sculptural contrast to the surrounding monolithic blocks of the city. It perhaps lacks some discipline in its detailed development – the main entrance is nearly lost in the clutter of services and structure meeting the ground, while the escape stair, being one of the strongest and most lavish features of the building, is unduly emphasised.

The inside is generally successful and seems to be well liked from the random conversations we had without benefit of a poll. The central space and escalator provide a dramatic focus and the external glass lifts provide a welcome and exhilarating connection to the outside world unlike the main interior which is enclosed by the obscure glazed windows requested by the clients for security. There are still the 'running in' problems that often take a long time to sort out in any new building – in this case primarily the lifts and the air conditioning. Other criticism derives from the changing nature of the market Lloyd's serves. The increase in the number of people working in the new building and ranged over several floors has meant that some groups now find themselves located further apart. The technology used is constantly changing and increasing and this needs to be accommodated. These variables could be anticipated in the brief only by its call for maximum flexibility in the design which the clients report that the architects achieved most successfully. The client was able to double the services required and add two more floors for use by Lloyd's during construction.

There are some strange inconsistencies in the interior especially the decoration of the top two floors which seem totally at odds with the building's architectural character and perhaps results from some loss of nerve on the part of the client before completion.

The jury feel that the Lloyd's building has achieved an architectural excitement rare in the City of London. The architects have made revolutionary use of the language of technology and the Award recognises that London has gained a tour de force of design and construction.

| | |
|---|---|
| Architect: | Richard Rogers Partnership Ltd |
| Engineer: | Ove Arup and Partners |
| Client: | Lloyd's of London |
| Contractor: | Bovis Construction Ltd |

### Commendations

## 2

**Henley Royal Regatta Headquarters.** This is a small, very specialised building and receives a commendation principally for the way it fits beautifully beside a superb eighteenth century bridge in an historic town. The simple brief deals with three quite different functional elements – river level boathouse accommodation, bridge level office accommodation, reception and committee room and accommodation for the secretary's flat in the roof space.

The disposition and expression of these three elements produced a building perfectly in scale with its surroundings. The plan is elegant, with a classical ordering of spaces on two axes which cross in the centre. The committee room at the end of the long axis overlooking the river, is a fine double height space with a small library gallery.

In its attempt to rediscover old architectural devices the building suffers from some familiar "post modern" traps and some of the exterior detailing has an appliqué look, which is thin and unconvincing.

| | |
|---|---|
| Architect: | Terry Farrell Partnership Ltd |
| Engineer: | Peter Brett Associates |
| Client: | Henley Royal Regatta |
| Contractor: | J M Jones Ltd |

## 3

**W H Smith Retail Headquarters in Swindon, Wiltshire.** This is a two-storey office building of modest architectural pretensions. It receives a commendation for the care and attention with which it responds to the client's brief for low energy, flexible and expendible office space carefully related to the existing buildings on the site.

The building provides excellent working conditions with natural ventilation and the maximum use of natural light, controlled in summer by external solar operated blinds which prevent heat build-up within the structure. The uplighting system provides glare free illumination, particularly important for the users of VDU screens. The environment for the office staff is both efficient and relaxed and the diagonal spine corridor allows inter office communication without disturbance so that the work spaces are modular islands of calm with views into landscaped areas and courtyards. The building is rather dull externally and whilst the diagonal corridor works well on plan it is awkward in expression and detailing.

| | |
|---|---|
| Architect: | Ahrends Burton & Koralek |
| Engineer: | Anthony Hunt Associates |
| Client: | W H Smith & Son Ltd |
| Contractor: | Wimpey Construction UK Ltd |

## 4

**Next Headquarters in Enderby, Leicestershire.** The building was designed to provide Next with a centre for its design, buying and executive functions. While rather low key architecturally, it is something of a revelation internally.

The special organisation of the building breaks down the functions of administration, design and pre-production and assembles them in an unusual, surprising and delightful manner. Functions, which in most organisations would be seen as discreet elements, are designed to impinge on and overlap each other in a way which perfectly expresses the style of the organisation and its ultimate product which is high quality fashion destined for the high street. The difficult geometry of the triangular site is well resolved although there are some awkward junctions at key circulation points. The building seems to be a joy to work in and is a result of good collaboration between a determined and far-sighted client and responsive architects and designers.

| | |
|---|---|
| Architect: | ORMS Designers & Architects |
| Engineer: | Ove Arup & Partners |
| Client: | Next plc |
| Contractor: | Bowmer & Kirkland |

In 1987 the assessors were architects David Allford and Rick Mather with Lord Gibson as the layman.

**For a free copy of the illustrated brochure send an 18p stamped addressed A4 envelope to: FT Architecture Award Brochure, Financial Times, Bracken House, 10 Cannon Street, London EC4P 4BY**

# MANAGEMENT

The Krehbiels (l to r) John Jr, Fred, and John Sr: 39 plants in 15 countries but still a family company

## Molex: moulding the international manager

**Deborah Hargreaves explains how the us electronics company encourages a cross-flow of people and ideas worldwide**

WHEN Molex moved into the Japanese market in the 1960s, it had little idea that that country would turn out to be the world's second largest marketplace for electronic connectors.

The US electronics company describes the move as more luck than good judgment. "I don't think we're that smart," chortles 81-year old John Krehbiel Snr, whose father and brother started the company 50 years ago and who remains chairman.

But since that move 20 years ago, Molex has established four plants and ten sales offices in Japan to supply the $2.45bn Japanese connector market. It has built on its presence overseas, and made it a policy to follow its multinational customers as they branched out in pursuit of cheaper labour.

This has helped the company grow from its roots in an unassuming suburb of Chicago to boast 39 plants in 15 countries and an international division that accounts for 68 per cent of its $386.8m annual sales.

Profits have increased, in what is a fiercely competitive sector of the US electronics business, from $17,000 in 1962 to $43.4m in fiscal 1987, which ended on June 30. (Some $39m of its sales and 13 per cent of this year's net income arose from exchange rate gains on the falling dollar.)

Back in 1965, when the company was looking to expand overseas, it initially targeted the UK, but moved to Japan after two Japanese businessmen expressed an interest in its products at a European trade show.

This led to the establishment of a joint venture with Showa Musen Kogyo, an experience which, although it did not net great financial rewards, proved a good introduction to doing business in Japan.

Four years later, Molex bought up the entire venture after it discovered its partner had been copying some of its products on the side.

"One of the biggest challenges for us was re-orienting ourselves towards the way the Japanese were thinking," explains Fred Krehbiel, who heads Molex's international operations. "Once we did that, we learned a lot about working closely with customers and just-in-time delivery that we could then apply back in the US."

As it has expanded overseas, Molex has stressed the importance of this sort of cross-flow of information as a vital part of its business, which involves making some 2,500 varieties of connectors as well as cable, mechanical and electronic switches. These are used in a range of applications from consumer electronics products to computers, cars and telecommunications.

The company stresses de-centralisation in its network of small plants - it does not like to have a plant that employs more than 200 to 250 people - while trying to boost as much cross-fertilisation as possible between its international divisions.

For this reason, Fred Krehbiel is developing a group of young, global managers that will continue Molex's growth as an international player. "If you want to have a top position at Molex, you will have to have had an international assignment," he stresses.

Managers earmarked for this expatriate programme will first be sent in small groups to a six-week course run by the Harvard Business School. This exposes them to much of Harvard's Master Course in Business Administration as well as giving them the chance to work with colleagues from overseas for the first time.

The course will often be followed up by a two-year posting overseas in some kind of managerial position, for which the company puts a lot of effort into preparing both the manager and his or her family.

The most important part of sending a young manager abroad is that he or she gets to see a different way of doing things, explains Fred Krehbiel. "It makes them question and take a second look at the way they were doing things back in their own country."

Indeed, the nature of Molex's business, which involves developing close ties between its sales engineers and customers, leaves a lot of room for local initiative. Individual plants are usually run by local managers, who are encouraged to modify the equipment they use to get the best results and to look at new product applications.

This resulted in the development of 121 new products in fiscal 1987 - many of them slight changes on existing products - and the filing for 56 patents.

Every year, these efforts are crystallised when the company stages a two-week long worldwide seminar, as part of which all of its sales engineers bring along ten to 20 of the most popular applications for Molex products in their particular country.

The seminar is useful as an exchange of ideas which managers take back to their own country, says Fred Krehbiel, and Molex tries to keep this initiative going by encouraging its managers to generate a cross-flow of information throughout the company.

One example of the way this works is shown by the local productivity improvements that have been made by the company's Japanese operations.

Fred Krehbiel explains how two connector assembly machines were recently installed in Brazil and Japan.

Although the Brazilian installation was running to specification, the Japanese improved their machine several times so that eventually it was running half as fast again as it did to start with. In this case, the company sent the Latin American manager to look at the plant in Japan to see if he wanted to do the same with his.

Often if two different plant managers come up with a solution to the same problem, they will meet to discuss their results.

In Japan, the company's local team developed a robot for separating the "runner" or waste material from a plastic injected mould. At Molex's plant in Shannon, in the Irish Republic, the problem was approached by using a barrel assembly with holes in it; as the barrel turns, the mould would separate and fall through the hole, while the runner would be discarded.

The manager of each of these two projects subsequently met and saw each machine in operation.

In the same way, the company will often send engineers with specific skills to different plants overseas for short periods of time to train local employees.

Molex's Japanese plants are doing a lot of work on miniaturisation, which they will then spread to the rest of the company so that other plants can cash in on the increasing use and declining size of connectors in the auto industry.

Fred Krehbiel stresses that one of the benefits of the company's expatriate programme is that "managers can deal with the needs of one of our big multinational customers locally, and can also understand how they fit into that company's global view."

However, the programme is not without its problems. Richard Cisek, who is currently export manager in the US, spent two years building up a sales facility in Eindhoven, in the Netherlands. He says he found it very difficult to motivate his employees at first.

"I walked into it thinking like an American and expecting things to happen like an American and after a few months, I thought this isn't working," he admits. After that initial surprise, he says, he took it upon himself to get to know his employees on a more personal basis to find out how they could be motivated. Back in the US, he now finds it much easier to understand his European sales staff.

At the same time, Clive Miller, who is currently on secondment from the UK at Molex's Lisle plant as a product manager, says his stint is helping him to understand better how a US corporation works.

In its corporate strategy, Molex is not that different from the large corporations it serves. And its moves abroad have often been prompted by a need to follow its customers like IBM, Matsushita and General Electric.

As the big Japanese companies moved into Singapore, Taiwan and Korea in search of cheaper labour, Molex followed them, often with a Japanese manager in place to liaise with them.

This has positioned the company for future growth. With plants in India and Malaysia just opened, Molex has China as its next target and it is set to make a decision on a possible joint venture next year.

Molex usually follows a policy of internal start-up for new operations. But it is currently trying to break into the US military electronics market, a sector in which it has no experience, with its purchase of a 5 per cent stake in California-based Matrix Science Corp. However, in this it is up against one of its major competitors on the consumer side, AMP Inc, which also has a holding in Matrix.

Although Molex is currently benefiting from the upturn in the consumer electronics business, and the exit of some US companies from the connector field, it has successively reduced its dependence on consumer electronics in the past ten years.

After a couple of extremely competitive years in 1985 and 1986, when profit margins were eroded, it sees a strong market for the next six months, in spite of the stock market crash.

The company is keeping to its goal of growing at an annual rate of 20 to 25 per cent with a 10 per cent net profit.

## Why Woolworths' staff are having a 'brill' time

**John Gapper on the UK retailer's training scheme**

*Customers shop where they feel most welcome. Warm fuzzies create that welcome. Discourtesy, indifference, slow service, ignorance, errors and negative (sic) are cold pricklies, and customers hate cold pricklies* (Feelings training booklet, Woolworths)

IF YOU HAVE been shopping in a British branch of Woolworths recently and been struck by the fact that the store assistants who used to be "naff" are now "brill", you have - among others - Walt Disney and Lord Baden-Powell to thank.

Those are individuals to whom Don Rose, Woolworths' personnel director, declares himself indebted for the ideas behind the company's retraining programme for shop assistants intended to improve service at 817 stores.

The programme - known as Excellence - has had tangible results already. A survey of customer perception of the helpfulness of Woolworths' 19,066 assistants showed 15-20 per cent improvement since it started in July.

Large parts of Excellence have been based on a simple premise: many Woolworths' assistants are young. Although the average age of the assistants is 27, new recruits to the chain tend to be about 18.

This has not traditionally been to Woolworths' advantage. A 1985 staff survey found, according to Rose, that: "We had a sales force that was petrified of customers, so afraid that they did not want to talk to them."

Rose recalls his wife's attempt to buy a pair of shoes in a Woolworths' store. She was met first by a young assistant who said she was going to lunch, and then by another who said that if the shoes were not on display, they were not in stock.

In its attempt to get to grips with the problem, Woolworths has played on the age of its new recruits in particular by borrowing ideas from the scouting movement and from Disney World in Florida. The scouts' contribution will also be familiar to customers of the McDonald's hamburger chain.

Rose told an Industrial Society conference on training in London this week: "The day I joined the wolf cubs, my Akela gave me a card. On that card was a series of tests, and if I passed them, I got my Tenderfoot badge."

Having decided on a badge-based system in which assistants would have to compete training stages to acquire a number of stars, Woolworths took from Walt Disney the idea of trying to imbue young employees with the notion of work as fun.

That fun is intended to start from the moment that the new recruit receives his or her letter of appointment in the post. With it comes a glossy magazine called Woolworths Scene which includes advice ranging from how to put on make-up to customer care.

The magazine is written in a rather distinctive style; it advises its readers to give up "ciggies" as well as using such terms as "naff", "brill", and "wally". It is unashamedly targeted at its intended readership.

Warm Fuzzies epitomise the way in which staff should behave towards customers. Since the programme's inception in July, staff helpfulness has been shown to have improved by 15-20 per cent

On joining a store, the new assistant is sent to a regional centre for a two-day induction programme. Here, besides learning the formal background of the company, he or she is informed that, while Dunlop makes tyres, Woolworths "makes people happy".

This is also the first introduction to a ubiquitous creature in the Excellence programme - the Warm Fuzzy. The Fuzzy - a creature resembling a red, furry football with feet and arms - is the symbol of the right way for an assistant to behave towards customers.

The Fuzzy is a key character in the Feelings section of the programme. This is taught in groups, with instruction being given in the skills of giving customers Warm Fuzzies - by complimenting or smiling at them - rather than Cold Pricklies - by being unfriendly or unhelpful.

Excellence as a whole is divided into two halves of five sections each. The first covers basic skills - induction, feelings, till training, secondary selling and product knowledge. The second covers the other five departments within a Woolworths store.

Assistants are given a training pack with a booklet covering each section. Except in the induction and feelings sections, they are expected to teach themselves from the booklets and be tested by their department head when they believe they are ready. If they pass, they gain a star to put on their badges.

When they have gained five stars in either half, they are given a cash bonus of £110. After a year, assistants will be re-tested and may lose stars if they fail to pass each section again. If they are successful, there is another £110 bonus.

Woolworths has invested £4.5m in retraining as part of the programme of re-organisation started after the Paternoster group bought 1,000 F.W. Woolworth stores from the US parent company in 1982.

Rose believes there have been clear financial gains and cites an 18 per cent increase in sales at four stores at which the Feelings programme was tested. He says: "It is a strategic decision to dwell on the importance of people to your business."

## Small Family Business/Olivier

**Martin Hoyle**

Alan Ayckbourn's current National Theatre success, already praised by Michael Coveney on this page, still fills the Olivier with robustly cynical funeral rites for honesty, decency and principle. The black fable of upright Jack, backing old-fashioned virtues as he takes over the family firm only to squelch into bribery, blackmail, theft, industrial espionage, sado-masochism, drug trafficking and (albeit inadvertently) homicide, has a Hogarthian thrust to it that seems curiously appropriate to Britain today.

The play lacks the inexorability of nightmare, that inescapable darkness that falls over Ayckbourn's comedy at its smile-freezing best. There are gags and contrivances, fairly obviously laid on. But the production has settled into a grimly hilarious *Carry On, Corruption* which for my money (however ill-gotten) is much more relevant, in its farcical way, than *Serious Money*.

Some members of the cast have been replaced; in two cases superbly. Bridget Turner's pinched, whey-faced Harriet, spindly and straggle-haired, whittled by rancour and resentment into an anorexic exclamation mark of disgust, has a Dickensian ripeness that is a vast improvement on her predecessor's sitcom caricature. And while Simon Cadell made a party turn of grotesque mannerisms from the venal private dick and extortioner, Clive Francis presents a repulsively reptilian hunchback of poisonous cosiness, genuinely frightening as he toys with the idea of corporal punishment, a toad-like incarnation of everyone's most sinister bogeyman.

In place of the great Gambon as Jack, shocked, appalled and finally accommodating, Stephen Moore brings the right touch of naffness to the portrait of suburban integrity under siege. Mr Moore is more convincing than Gambon as a dupe, but his fall is therefore the less moving. Technically he relies over-much on a throaty and sometimes unintelligible blurt. (A second viewing underlines the amount of sheer screaming in the play, usually about food or sick dogs; with typical Ayckbourn irony, the news of violent death is given in the prosaic tones of polite front-room conversation.)

The tarty Anita, who cracks the whip and buckles down, or up, to help the family finances, is still gratuitous and not quite believable; Sarah Atkinson plays broadly, as if in naughty farce. This may be the only way to take the role. Otherwise the seasoned Ayckbournians - Polly Adams and Diane Bull especially - offer pure joy. Mick Hughes' lighting on Alan Tagg's wickedly apt bijou set is as powerful as ever in its hints of diabolism in the wine and cheese belt. The final toast to the family, one of whom is already hooked on the exotic wares Jack has decided to peddle for certain Italian connections, is from a garish *Dear Octopus* for the new backbone of 1980s Britain.

## Cinderella, The Real True Story

**Claire Armitstead**

Pantomime time is upon us again and the season to be merry, down at the Drill Hall Arts Centre in Chenies Street, is the season to be gay as well. Love of each for all (with sundry reservations about the male of the species) is the message of *Cinderella, The Real True Story*, an all-women show that brings the work of New Yorker Cheryl Moch to London for the first time.

The piece, from an idea by Moch and her composer/ collaborator Holly Gewandter, was premiered at New York's WOW Theatre, one of the city's three theatres for women. It was brought to these shores by Gillian Hanna, who appears as an apple-cheeked King Philip the Bold in the sort of cast pantomime demands but seldom gets - one that matches craft with commitment.

The plot will doubtless send shivers down the spines of the remotely homophobic: Cinderella, a runabout sentenced by her wicked stepfather and his two rotten, wicked sons to half a parsnip and no butter on her lentils, gets to the ball dressed as a boy and proceeds to steal the princess's heart, emboldened by her grandmother clock's assurances: "What limits you is your mind."

Having dispensed with the Cinderella story in the first half, Moch goes on in the second to show how courage and loyalty defeat the various monsters prejudice throws up: there is a gorgon, depressed because "at the last election I heard that something that was running was even ghastlier and dirtier than me," and a grand inestimable eagle which turns out to be a chicken by any other name.

The text is anglicised to the extent of allowing space for a smattering of traditional panto gags, avidly seized by an unashamedly partisan audience, but the essence of the work is its originality and its refusal to accept second-class citizenship. Moch - and director Nona Shepphard - are not afraid to make their audience work by, for instance, ending the first act with a lingering love scene between Adele Saleem's Cinderella and Nicola Kathren's princess, the eroticism of which is not quite disguised by the self-mockery attendant upon it. But neither are they precious about a couple comprising an officiously practical serving-girl and a petulant aristocrat who does not even know how to undo her own dress.

It is too much to expect that everyone will either go, or be persuaded, by it, but if something of its wit, spirit and impunity infiltrates the mainstream, it will be all the better for it.

## Anthony Milner/RCM

**Paul Driver**

The British Symphony is alive, if not kicking its way into fashionable prominence. So much was declared on Thursday at the Royal College of Music by the first performance of the third symphony, op. 45, of Anthony Milner. The three-movement, 35-minute work was a commission from the college, with which Milner has been long associated as a teacher of musical history; and the taut, well-groomed performance was given by the RCM Symphony Orchestra under Lionel Friend.

The symphony's first movement is the hard-driven sonata allegro you would expect - essaying a strenuous dialectic; charged with leaping vigour in the string parts and spluttering life in the brass; sometimes portentous, though acceptably so; at most times using the full-orchestral texture; and altogether quite fine.

The shadow of Tippett's first two symphonies, which lay over Milner's earlier orchestral work and is still faintly discernible here, in no way occludes Milner's own personality, though his language is now more dissonant, and sophisticatedly so, than Tippett's then.

There certainly hangs something of the 1950s Cheltenham symphony about Milner's work with its generic athleticism (all those decisive string bowings!), contrapuntal emphasis and dourness of tone.



## FT Architecture at Work Award/Colin Amery

# The Lloyd's building tops the bill

There is an inevitability about some awards, but the *Financial Times Architecture at Work Award* is not one of them. In past years it has been awarded to a cowshed, a North Sea oil and gas installation and a dam in the Scottish hills. In fact, last year the jury's decision to commend the Megget Reservoir and Control Building in Selkirk was almost an award for the landscape and for the great skill shown by all concerned to make the building invisible.

This year the jury, after considerable deliberation, discussion and debate, has decided to give the award to the headquarters of Lloyd's in the City. Its reasons are very clear: of all the schemes examined - and there were 81entries this year - Lloyd's stood head and shoulders above them all as a major architectural commission; and the jury was extremely impressed that a presupposedly conservative institution had been bold enough to commission an astonishingly advanced, indeed in some ways revolutionary, building designed by the Richard Rogers Partnership Limited.

It is interesting to look back at the way Lloyd's arrived at the decision to commission such an intriguing building. The system used to select an architectural practice was the internal limited competition. This is now quite a common procedure, particularly for "owner occupied" buildings. A small number of architects - in the case of Lloyd's it was an international shortlist - are invited for interview. At that stage they are not necessarily asked for a design, but to explore with the client an approach to the commission; this gives the client a chance to develop the brief and to get to know the architect.

Picture by Alastair Muir

Richard Roger's building

The winning scheme by Richard Rogers has been seen as very controversial: indeed, some of its occupants have found it difficult to come to terms with its very strong architectural diet. It is worth considering his architectural approach, as since winning the Centre Pompidou competition he has been seen as one of the pioneers of high-tech architecture. The approach is an ideological one: a firm belief in the language of technology and engineering, and in some ways an almost fetishistic admiration for the materials and conjunctions of machine-made elements. His architecture refers to its parts, and many of these parts are exposed on the outside of the building for the admiration, undiluted or otherwise, of the world.

This is a very bold approach. At Lloyd's, the removal of many of the service elements of the building to the outer edges makes it possible to increase the floor areas within. The result is the triumph of the building's interior: the bonus of a great internal space that is full of power and imagination and on the scale of the Crystal Palace. One of the most extraordinary buildings in London, the jury for the award was extremely impressed by the magnificent quality of much of the detailing and the sense of being in a place that had been thought through in every small element.

In reaching its decision to give this year's prize to Lloyd's, the jury did have to consider the controversy that has surrounded the building. There are two particular aspects. First, its unusual appearance with exposed services, and secondly its suitability as a place of work.

The jury considered that the almost sculptural quality of the rugged exterior was a success, because it made a good contrast to the surrounding monolithic blocks. But that does not mean that a whole city of Lloyd's buildings would be an entirely agreeable place. As a place of work, from a series of visits and several random conversations (although without benefit of a poll), the jury felt that the interior was generally successful; it seemed sad that the top floors did not continue the architectural consistency of the rest of the building; and the treatment of the reinstated Adam Room was generally thought to show too much of the hand of the interior decorator. As the jury concluded, Lloyd's is a *tour de force* of architectural design. As such it is very rare in England, and particularly in the City.

The three commended schemes show a marked variety of architectural approaches. The headquarters of Next at Enderby in Leicestershire is the work of a young architectural practice ORMS: it is a very enjoyable place in which to work, and its large central space and row of experimental shops is lively and impressive. Next is a company that specialises in the missionary spread of good design in the high streets of Britain, and its headquarters naturally embodies much of this energy. The jury liked the assembly of the various functions of the company - administration, design and pre-production research; it was a highly pleasurable experience to visit a company that vividly expressed its own "good design message" both to its workforce and to the world at large.

The other company that wins a commendation for its addition to its headquarters is W.H.Smith at Swindon, where Ahrends, Burton and Koralek have designed a carefully controlled and sensitive environment for office workers in a building that surrounds a series of effectively landscaped courtyards. From the outside the building is somewhat austere, but inside a lot of thought and care has been taken with the quality of light and a pleasantly relaxed system of circulation that does allow islands of office calm. The provision of commissioned works of art was admired by the jury - Elizabeth Frink's *Running Men* making a strong impression from the roadway.

The selection of the Henley Royal Regatta HQ designed by the Terry Farrell Partnership for a commendation reflects the jury's pleasure in the little Thameside building - an enjoyable *esprit* that fits in well alongside Henley's eighteenth century bridge. Some of the modern versions of the classical language were thought to be a little superficial, but both inside and out the Regatta HQ is elegant, well detailed and simply very enjoyable to look at and use.

This year the jury for the award was Lord Gibson and architects David Allford of YRM and Rick Mather. They shortlisted and visited some seven schemes from the 81 buildings entered.

## Old Year's Eve/The Pit

**Michael Coveney**

A short, slight play in the Barbican's Pit touches on mighty political themes. Peter Speyer is a young writer from Johannesburg, a former officer of the National Union of South African Students who now works as a therapist at a centre for the mentally ill in London.

His New Year's dinner party is set on a wine farm in the Western Cape where a white couple, Sheila and Joe, greet their only child, Martin, who is visiting on Army leave.

In fact, Martin (Reece Dinsdale) has deserted and has come back to fight for the farm after walking for six days and nights from Cape Town. Vines have been violated, there is a deathly hush on the compound and the black servants have not arrived to help with dinner. Some white neighbours have left the area, but Sheila (Ann Mitchell) has decided not to panic.

Within half an hour, Sheila is panicking. The farm, we learn, is up for sale. She picks up her suitcases and heads for the station.

The writing is rude and elementary, with insufficient preparation allowed for this seeming change of heart. Sullen, bulky Joe (Tony Doyle) regards every drop of wine he can produce and swill around his appreciative palate as a small victory. "Leaving is giving up." I think Mr Speyer views the plight of white South African farmers with some sympathy, but more despair.

Their situation is an impossible one, he suggests, with unrest and resentment inevitable facts of life.

A murder is committed and the piece ends on a tense semi-colon. Martin has donned a black face jungle disguise, Sheila slips into a traumatised state of shock, predicting a future that sounds more like the author speaking than the character: "They'll find us like tortoises on our backs in the sun, with hard shells and hollow insides."

Sarah Pia Anderson's production cannot provide the atmospheric tension the play itself lacks. Ann Mitchell, elegant and cutting in a beautiful white lacey dress, resorts to a violent, half-crazed verbal delivery that transforms a word like "survive" into a polysyllabic aria.

It is an odd performance, but one interestingly pitched to suggest both national and personal instability. Tony Doyle is doggedly uncommunicative, a little down, as the farmer, while Reece Dinsdale is brightly manic as the revenging scourge of agricultural sabotage.

Tony Doyle and Reece Dinsdale embroiled in political themes

Roger Glossop's elegant evocation of the farm, whitewashed interior walls and smart furnishings, is ominously fenced off by the wire of the compound, where lurks the silent menace of righteousness and anger. But really, the Royal Shakespeare Company has no right to place such undercooked fare before a paying public.

## Maureen Lipman to star in new play

Maureen Lipman is to star in a new play by James Roose-Evans adapted from the works of Joyce Grenfell. *Re:Joyce!* will open at the Redgrave Theatre, Farnham from February 17 to March 12.

Other plays during the Redgrave's spring season are Michael Frayn's *Noises Off*, Strindberg's *The Father*, Louise Page's *Salonika* and the Victorian melodramatic thriller *Gaslight*.

## Effie's Burning

**Martin Hoyle**

Valerie Windsor's hour-long two-hander was scheduled for the Bush when that fringe venue caught fire. Since then it has been given a handful of platform performances at the National, and now, still with the original cast and production from Manchester's Library Theatre, it arrives for a run at the crusading basement theatre under the Offstage Bookshop in Chalk Farm Road.

Effie - short for effing brat - is 64 and has a mental age of 10. For over 50 years she has been institutionalised. For much of that time she was happy in a home where, as sympathetic Dr Kovacs puts it, "they walked in the garden, they had their films and they chose their curtains." Her crony was Alice whose history, it transpires, was similar to Effie's: the teenage pregnancy of a bewildered and exploited mental subnormal hustled into obscurity by outraged parents according to the clause in the 1927 Act which deals with "moral defectives."

As part of the government's campaign to re-integrate such people into the community, Effie was moved to a rehabilitation hostel and a totally alien world to which she has responded with arson. "People should be very careful when they bandy words like freedom about," comments Dr Kovacs bitterly.

Kovacs is the other participant in this cross-purpose duet for two innocents. She confides directly to the audience, flustered, well-meaning, apologetic, dedicated but unsure whether she shouldn't have gone into picture-restoring as she is possibly better at mending things than people. She licks the wounds inflicted by the insufferable Mr Jessop-Brown, the surgeon, of whose sarcastic witticisms she is the butt, and whom she answers back only in imagination.

The beautifully constructed little play is served unnervingly well in Susan Mayo's production. In Phil R. Daniels' design, white cloth stretched over the black floor marks out the hospital room, and here Paula Tilbrook's Effie babbles, chatters, grumbles and occasionally panics, the pink, well-scrubbed look of a countrywoman clouding into vacuousness.

Brigit Forsyth's Kovacs is harassed, flustered, self-analytic and breathlessly self-contradictory. There is a thrilling passage that suggests that Effie, like Brian de Palma's Carrie, caused the fire by paranormal means; but for the most part this is a marvellously observed study of two women in a routine situation full of frustrations. The last word gives a sort of yearning hopefulness to the doctor's imaginary retort to the supercilious Jessop-Brown. "I didn't say that at all," she admits to us, "but something very like it." Half-eager, half-apologetic, she adds triumphantly, "and he knew what I meant."

## Bach Choir/Festival Hall

**Richard Fairman**

The pre-war years were a turning point for British music. As far as choral music was concerned, much of the writing being done still held on to its old creative roots in Parry and Elgar, but the most striking of the young composers had already broken free and were beginning to work the brash and dangerous feelings of the period into their music.

This concert, given on Friday night by the Bach Choir under Sir David Willcocks, strikingly set the old and the new side by side. The old was Finzi's *Intimations of Immortality*, written for the 1939 Hereford Festival but not performed until 1950. Its dates thus straddle the war, though one would hardly guess so from the pastoral harmonies and pastel orchestral shades that give the piece its contented, almost complacent, feel.

Only in the sections for solo tenor does one sense Finzi (already the composer of the song cycle *Dies Natalis*) starting to get to grips with the mystic depths at the heart of Wordsworth's poetry. When he sets a line such as "Another race hath been, and other palms are won," words and music at last fuse with real purpose - as Robert Tear's delivery, at its most communicative, abundantly showed.

For chorus and orchestra the score holds less of interest, though there are a few bold rhythmic ideas that sound more like Walton than Finzi. (The syncopations and percussive woodblock are typical Walton fingerprints.) At this concert the connection was especially easy to make, as we had just heard the latter's own *Coronation Te Deum* receiving a lithe and almost elegant performance under Willcocks.

After the interval came more Walton and a return to the 1930s with *Belshazzar's Feast*. The choral parts in this work are far from easy and the Bach Choir brought to them a high degree of accuracy, but what a strangely powerless *tutti* sound they have for such a large body of singers. David Thomas was the bass soloist, while in all three pieces the choir had impeccable support from the Royal Philharmonic Orchestra - a genuine luxury in a choral concert of this kind.

## L'Ormindo/Guildhall

**Richard Fairman**

As our knowledge of early opera has grown, so the administrators of opera schools have increasingly seized upon the works of Cavalli for their end-of-term productions. It is easy to see why: there are plenty of roles for everybody (the composer was profligate in this respect) and the small scale of the musical style means no straining of tender young voices.

In the world of opera, however, good intentions rarely turn out to be so accommodating in practice. *L'Ormindo*, which the Guildhall School of Music presented last Thursday with the first of two casts, is relatively well known. Indeed, it was a standard-bearer in the Cavalli renaissance at Glyndebourne in the sixties. Yet its capacity to stir our feelings needs to be communicated with more zeal than it had here, if the piece is not to seem wearisome.

One easy answer might have been an outrageous production, a temptation happily resisted by Patrick Libby, who contented himself with opulent pseudo-Turkish costumes and a few special effects. Instead, his young cast were left to project the work from the score alone. Since the score is primarily Italian recitative (a hard pill for students to swallow, though think what it will do for their Mozart and Rossini in the future), their task was not an easy one.

Valiantly, the central pair acquitted themselves with some honour. Michael Forest, as Ormindo, is still some way from being a Cavalli stylist (the Italian vowels never quite ring true) but his well-founded tenor is a promising instrument, and Deborah Hawksley's Erisbe partnered him with a fine balance of words and line.

From the rest of the cast one might single out Gunvor Nilsson's rich mezzo Mirinda, as well as Peter Snipp and Tae Wong Han, the most secure of the male voices; but in general this did not seem a vintage year.

## Saleroom/Antony Thorncroft

# The £6m laundry

This week London takes centre stage among the world's art markets, with both Christie's and Sotheby's holding important sales of Impressionist and modern pictures. Pride of place must go to Christie's auction tonight which includes a famous painting by Degas, "Les Blanchisseuses," painted around 1875 and depicting laundry maids at work.

It is being sold by the Durand family, descendents of Paul Durand-Ruel, the Impressionists' great patron and first dealer. A price above £6m can be expected for this, the finest Degas painting to be sold at auction since the war.

Another important work is a Gauguin, "Les Trois Huttes," painted in his Tahiti years. Such paintings are rare on the market and a price in excess of £2m is anticipated. It comes from the collection of the late Josef Muller. In all Christie's is selling 24 Muller paintings, including a Picasso portrait of his mistress Fernande Olivier; a Fauve landscape by Braque; and a couple of good Renoirs. The success of the sale, and of the week, depends upon the strength of Japanese buying. They have underpinned this market in recent years.

At Sotheby's evening sale tomorrow the highlight is a Picasso "Souvenir du Havre," which is reckoned to be a turning point in his development of Cubism. It is a memory of a trip Picasso took with Braque in 1912 to Le Havre, and it incorporates souvenirs of the holiday - sea shells, a bottle of rum, an anchor. It is regarded as the first fruits of a switch from an "analytical" to a "synthetic" style. The oval-shaped oil was not popular with Braque, but a price of up to £4.5m is anticipated, which would be an auction record for Picasso.

Another feature of a frenzied week of sales is the dispersal of Western manuscripts and miniatures - at Sotheby's tomorrow and at Christie's on Wednesday evening. Once again Christie's has the edge, selling the manuscripts of the late Estelle Doheny. She is most famous for her book collection, but the manuscripts include a Book of Hours of around 1528, with the anonymous artist immortalised as the Doheny master, which should make £300,000, and the Portolan Atlas of 1544 which should top £200,000. Sotheby's is offering seven lots from the library of Viscount Astor at Cliveden.

A complete first edition of Audubon's "Birds of America," the greatest colour plate book ever produced, is to be offered by Sotheby's in New York on Wednesday. It is being sent for sale by the James Jerome Hill Reference Library of St Paul, Minnesota. With only fourteen of the 175 sets produced still in private hands, Sotheby's is hoping to beat the £1.1m paid for the last complete set it auctioned in 1984. There is a great danger that the buyer will split it up and sell off the 435 hand-coloured plates individually.

# Arts Guide

November 27 - December 3

## Music

### PARIS

**Les Musiciens Amoureux.** Tchaikovsky, Mussorgsky,Shostakovitch (Mon). Comedie des Champs Elysees (47203637).

**Orchestre National d'Ile de France.** Gala evening for the Concours Long/Thibaud (Mon). Theatre des Champs Elysees (47203637).

**Ensemble Orchestral de Paris** conducted by Wolfgang Doerner. Stephen Bishop Kovacevich, Piano: Michael Haydn, Beethoven, Dietmar Schermann, Haydn (Tue). Salle Pleyel (45630796).

**Jessye Norman** recital. Geoffrey Parsons, piano (Tue). Theatre des Champs Elysees (47203637).

**Jean-Marc Luisada.** Schumann, Faure, Chopin, Shinji Urakabe (Wed). Theatre des Champs Elysees (47203637).

**Orchestre de Paris** conducted by Jeffrey Tate, Mitsuko Uchida, Piano: Wagner, Bartok, Dvorak (Wed, Thur). Salle Pleyel (45630796).

**Alexis Weissenberg,** Piano. Schubert, Rachmaninoff (Thur). Theatre des Champs Elysees (47203637).

### ITALY

**Milan,** Chiesa di S Simpliciano. The Voci Bianche of La Scala singing Palestrina, Mozart and Benjamin Britten's A Ceremony of Carols conducted by Gerhard Schmidt Gaden (Mon) (80 91 26).

**Rome,** Auditorium in Via Della Conciliazione. Eleazar de Carvalho conducting Weber's 2nd piano concerto, with pianist Lya de Barberiis, and Villa Lobos (Mon, and Tue). (6541044).

**Bolgna,** Teatro Comunale. Vladimir Redoseev conducting Ibert and Giacomo Manzoni and Tchaikovsky (Tue). (529999).

### TOKYO

**Tokyo Bunka Vienna String Quartet,** Mozart, Beethoven. Kaikan Recital Hall. (Mon) (428 5890).

**Tokyo Akademiker Ensemble,** Vivaldi, Porpora, Schubert. Tokyo Bunka Kaikan Recital Hall. (Wed) (263 4388).

**Slovak Philharmonic Orchestra,** Smetana and Dvorak. Hitomi Hall, Showa Women's College, Sangenjaya. (Tue) (237 9990).

**Sankyoku Ensemble** for koto (harp), shamisen (banjo) and shakuhachi (bamboo flute) plays contemporary works for traditional Japanese instruments. Vario Hall, Suidobashi, near Tokyo University. (Mon) (818 4151).

**New Japan Philharmonic Orchestra** conducted by Masaaki Inoue. Roussel, Gershwin, Villa Lobos, Ravel. Tokyo Bunka Kaikan. (Tue) (499 1531).

## Opera and ballet

### LONDON

**Covent Garden.** Royal Opera. Eva Marton gives her first London Tosca in the current revival, with Peter Dvorsky (Cavaradossi) and Ingvar Wixell (Scarpia). Guiseppe Sinopoli conducts. Final performance of the new production by Elijah Moshinsky of Mozart's Entfuhrung, a messy, friendly show unevenly sung (Kurt Moll's Osmin outstanding) and rather briskly conducted by Georg Solti. (240 1066).

**Coliseum.** English National Opera with more performances of two Jonathan Miller productions - the final run of the famous Mafia-style Rigoletto modernisation, in excellent form, and the new Barber of Seville, with Della Jones and Alan Opie, conducted by Mark Elder. (836 3161).

### PARIS

**Paris Opera.** Norma alternates with Macbeth.

**Theatre de la Ville.** Monnier-Duroure's Mort de Rire, where ridicule tries to exorcise the terror of death. (42742277).

**Forum of the Centre Georges Pompidou.** Valis, a multidisciplinary opera by Tod Machover and Catherine Ikam based on science fiction, uses the latest technology in transformations of sound and image. (42771233, Ext 4843).

### WEST GERMANY

**Berlin,** Deutsche Oper. Turandot in Gotz Friedrich's production features Linda Kelm, Maria Teresa Reinoso and Peter Gougaloff. Tannhauser has a strong cast with Janis Martin, Spas Wenkoff and Andreas Schmidt. Madame Butterfly has Raina Kabaivanska, Giorgio Merighi and Yoko Nomura. Also Oedipus, composed for the Berlin Opera by Wolfgang Rihm and Katja Kabanowa. (34381).

**Hamburg,** Staatsoper. Il Trovatore stars Natalia Troitskaya, Fiorenza Cossotto and Wolfgang Brendel. Le Nozze di Figaro is a joint project between Hamburg and Salzburg Mozarteum, with a cast that includes Linda Plech, Deborah Massell, Ralph Houston and Peter Galliard. Die Verkaufte Braut has fine interpretations by Linda Plech, Dieter Weller and Kurt Moll. Carmen, sung in French, takes the leads Ruza Baldani, Rachel Joselson and Harald Stamm. Der Fliegende Hollander rounds off the programme. (351151).

**Cologne,** Opera. Hellen Kwon leads a strong cast in The Magic Flute. Die Meistersinger von Nurnberg, conducted by Peter Schneider, has Nadine Secunde, Bernd Weikl, Robert Ilosfalvy and Georg Volker in the main parts. Also in repertory are Hansel und Gretel, Tannhauser and Eine Florentinische Tragodie/ Gianni Schicchi. (20761).

**Stuttgart,** Wurttembergisches Staatstheater. Madame Butterfly has Awilda Verdejo, Nancy Shade and Michael Sylvester. Die Entfuhrung aus dem Serail features Tomoko Nakamura, Yasuko Kozaki and Helmut Berger Tuna. Hansel und Gretel is again added to the programme. (20321).

**Munich,** Bayeriche Statsoper. Gotterdammerung, produced by Nikolaus Lehnhoff, stars Ute Vinzing, Lisbeth Balslev, Cornelia Wulkopf, Rene Kollo and Martti Salminen. Macbeth will be conducted by Guiseppe Patane. The week's highlight is Cardillac with Maria de Francesca-Cavazza, Doris Soffel, Donald McIntyre and Norbert Schund. (21851).

### ITALY

**Rome,** Teatro dell'Opera. Rimsky-Korsakov's La Sposa Dello Zar conducted by Mstislav Rostropovich and directed by his wife, Galina Visnevskaia, with scenery and costumes by Zack Brown. In the cast are Lajos Miller, Stevka Mineva, Dimiter Petkov, Vjaceslav Polosov and Sylvie Valaire. (46 17 55).

**Florence,** Teatro Communale. Z effirelli's production of La Boheme is conducted by Carlos Kleiber. (2779236).

**Bologna,** Teatro Comunale. New and somewhat eccentric production of Rheingold, excellently sung (in German) by Hermann Becht, Anne Gjevang, James Johnson, Helmut Pampuch and Hermann Winkler. Peter Schneider conducts. (529999).

**Naples,** Teatro San Carlo. Donizetti's Roberto Devereux (composed for the San Carlo and first performed here on 29 October, 1837), with Katia Ricciarelli, Alberto Cupido and Martha Senn, conducted by Gustav Kuhn. (417144).

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# The pressure on Iran

MORE THAN four months after the passage of UN Security Council Resolution 598, calling for an immediate ceasefire between Iran and Iraq, the war is still going on. But so is the UN diplomacy aimed at ending it, which that resolution inaugurated. Both the Iraqi foreign minister, Mr Tariq Aziz, and the Iranian deputy foreign minister, Mr Mohammed Javad Larijani, are visiting New York this week, in response to an invitation from the UN Secretary-General, Mr Javier Perez de Cuellar.

It would be wishful thinking, however, to see this as the opening of "proximity talks" between the two belligerents. The Iranians see themselves as engaged in a dialogue not with Iraq but with the international community, from which they are trying to extract an endorsement of their own view of themselves as victims of aggression, fighting a just and necessary war of self-defence.

They made it clear to Mr Perez de Cuellar, when he visited Tehran in September, that they would accept a formal ceasefire on the day that "the identification of the party responsible for initiating the conflict" was announced, but not before. Iraq for its part, now formally backed by the Arab League, is insisting that Resolution 598 be implemented "in the consequential order of its clauses" - that is, starting with a ceasefire and withdrawal of all forces "to the internationally recognised boundaries" and only later "entrusting an impartial body with inquiring into responsibility for the conflict".

### Arms embargo

That, broadly, is also the position of three of the fivepermanent members of the Security Council - the US, Britain and France. They do not believe Iran's current position provides an adequate basis for negotiations because they see no evidence of any genuine desire on Iran's part to end the war.

Therefore they are eager to proceed at least with the drafting, if not yet the adoption, of a second resolution imposing an arms embargo on Iran. They know that this would not be watertight but argue that it would emphasise Iran's isolation from the world community - to which, as its persistence in discussing the implementation of Resolution 598 shows, it is far from indifferent - and so would strengthen the argument of those in Tehran who *do* favour ending the war.

The Soviet foreign minister is said to have agreed to this in September when he lunched with his four colleagues and the Secretary-General in New York. But since then Moscow has refused to start work on a new resolution, arguing that more time should be given for diplomacy and that US naval activities in the Gulf themselves constitute an "act which may lead to further escalation and widening of the conflict", and thus a breach of Resolution 598.

### Naval operations

These activities, Soviet spokesmen argue, must be "brought under control" and replaced by an international force in the Gulf before further progress can be made towards ending the war. What form this international force would take and what its rules of engagement would be have not been spelt out, and the Western response has been to fear that the proposal is intended either as pure propaganda or as an insidious attempt to establish a Soviet veto over Western naval activity by bringing it under the control of the long-defunct military staff committee of the UN.

It would indeed be a mistake for the West to risk losing the benefits of its naval operations in the Gulf, which have so far been remarkably successful in protecting Kuwaiti shipping and responding to various forms of Iranian attack, by accepting any proposal for internationalisation which has not been very carefully thought out and spelt out in advance. But the situation in the Gulf remains risky and unstable, and the operation there - which is very expensive - seems likely to be prolonged. The possibility of devising an international cover for it is one worth exploring, especially if it is the price of Soviet cooperation in increasing the pressure on Iran.

Obviously the Soviet Union is going to expect some diplomatic benefits for itself if it plays a constructive role in the Middle East. The nature of that role, but also of those benefits, should be one of the topics discussed by President Reagan and Mr Gorbachev when they meet next week.

# Airline choices

THE PROPOSAL by Scandinavian Airlines System (SAS) to take a large minority stake in British Caledonian poses another test for competition policy. It comes shortly after a controversial decision by the Monopolies Commission not to block the purchase of BCal by the dominant UK-based airline, British Airways.

On the face of it, the SAS offer is in line with what has been, until recently, a central feature in UK civil aviation policy - to foster a viable "second force" capable of competing against BA. It would enlarge Gatwick's role as a second hub, outside BA's sphere of influence at Heathrow. A strengthened BCal, with access to SAS resources and routes, could offer a better service.

The argument against it is that it might harm British Airways; it would dissipate Britain's resources in the international airline industry instead of concentrating them in the hands of a powerful, worldscale company. No other European country, it might be added, would allow one of its larger airlines to fall under foreign control.

Thus, the Government seems to face a choice between the promotion of competition and support for a national champion. Official policy is to refer mergers to the Monopolies Commission, when issues of competition arise, although references for other reasons, such as damage to the national interest, are not ruled out. Even if it is accepted that the Government should pay careful regard to the interests of BA, it is not obvious that the impact of the SAS deal, including the loss of the efficiency gains which might stem from a BA-BCal merger, is so detrimental as to justify a reference to the Commission. This is a case where shareholders should be allowed to decide between rival offers.

# Competition rules

FOR THE past 14 years the EC Commission has been trying to obtain powers to control mergers and acquisitions. The EEC Treaty makes no such provisions, and the member states have been reluctant to approve a merger control regulation proposed by the Commission. The Council will discuss this proposal again today, and the Commission is flexing its muscles to overcome the resistance of the UK and other member states.

In an attempt to break this resistance, Mr Peter Sutherland, the Commissioner for Competition, threatened recently that if denied the merger regulation he will have to proceed against mergers of European size "by means available to the Commission."

By this he meant the highly controversial powers derived from the 1972 judgment of the European Court in the case of Continental Can, when it held that an acquisition increasing further the market power of a dominant company may constitute an abuse prohibited by Article 86 of the Treaty. The Commission has so far wisely refrained from relying on the strength of this maverick judgment.

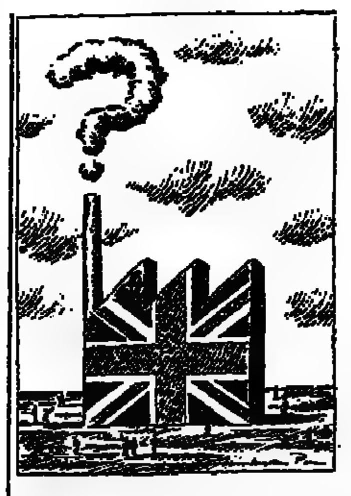
This month Mr Sutherland added to his arsenal a new and no less controversial judgment. In this, the Court rejected a complaint by BAT and R J Reynolds that the Commission should not have approved agreements concluded between Philip Morris and Rembrandt. These established the two groups' joint ownership of Rothman International and - as the plaintiffs alleged - an anti-competitive sharing of the European cigarette market. Mr Sutherland claims that this judgment gives him the power to control mergers and acquisitions under the other competition rule of the treaty, Article 85, which aims against cartels and other anti-competitive agreements.

Although Mr Sutherland's interpretation appears to go much too far, it has to be conceded that his view is at least arguable. This, however, raises a constitutional issue of real gravity. There would be surely something very wrong with the Community if a junior bench of the European Court had the power to legislate in a way that would throw the law into confusion and uncertainty. And it is hardly proper for the Commission to threaten the Council that it would apply such controversial judgments, with ominous consequences for business, if it did not first obtain the member states' approval of its merger regulation.

Such undue pressure must be rejected. It is unthinkable that the Commission would really enter such an adventurist path, putting its own authority at risk.However, the Council's attitude should not be wholly negative, since there is a need for some common European Community merger policy in the long term, especially in the light of the programme to complete the internal market.

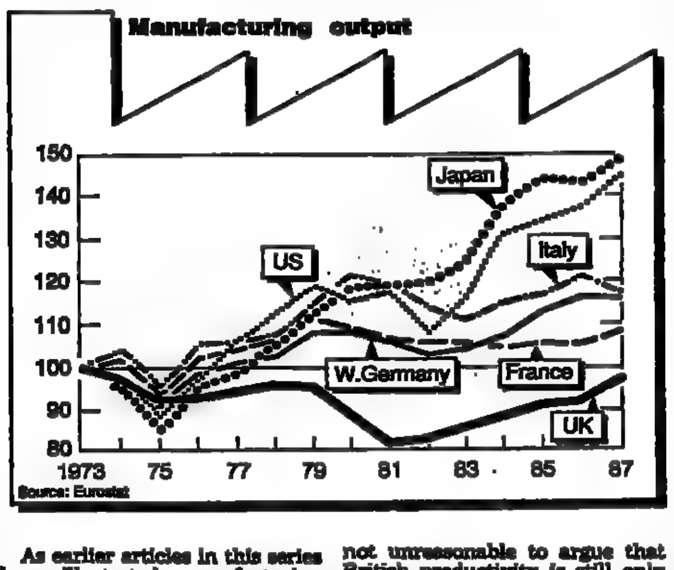
**In the last of a series on British manufacturing industry, Michael Prowse suggests that alarm over the loss of a workshop economy may be exaggerated**

# The need to bolster confidence



BRITISH manufacturing output is expected to rise by 5 per cent this year - more than in most other developed countries. Labour productivity is rising at an annual rate of 4 per cent, again faster than in most rival nations. The real return on capital in non-oil industry has tripled in recent years and, at nearly 10 per cent, is respectable by international standards, if not outstanding.

Are ministers therefore right to claim that Britain no longer has a "manufacturing problem"? Is continuing anxiety about "de-industrialisation" misplaced? Should the UK accept that it is once again an efficient and powerful industrial force in global markets?




As earlier articles in this series have illustrated, manufacturing industry is doing better than in the early 1980s. The improvement is evident whether you look at profits, productivity or output. But the durability of the renaissance is open to question, as is the ability of manufacturers to make up much of the ground lost in previous decades.

It is often forgotten quite how far Britain fell behind. Manufacturing output in September, for example, despite the recovery of recent years, was still 2½ per cent lower than in the boom of 1973 under Mr Edward Heath. Over this period, production has risen by 49 per cent in Japan, 46 per cent in the US, 18 per cent in Italy and 16 per cent in West Germany.

The comparison is in some ways even bleaker if 1979, the year Mrs Margaret Thatcher entered Downing Street, is taken as the starting point. A marginal 1½ per cent rise in manufacturing output in the UK contrasts with gains of, for example, around 32 per cent in Japan and 28 per cent in the US. If Britain is to regain its standing, even of the late 1960s, it will have to out-perform its rivals for at least a decade, perhaps much longer.

Britain's productivity "miracle" also needs putting in perspective. Output per head is rising slightly faster than in the 1960s and much faster than in the 1970s, when it virtually stagnated. But in absolute terms it is still very low by international standards.

The National Institute of Economic and Social Research (NIESR) has recently updated its estimates of relative labour productivity in leading industrial countries. Slightly faster growth of output per head in Britain compared with its rivals has led to a small narrowing of the productivity gap since the early 1980s. But the chasm is still wide.

On the updated NIESR figures for 1986, output per head in British manufacturing is still only about 37 per cent of that in the US, 48 per cent of that in West Germany, 56 per cent of that in France and Japan, and 64 per cent of that in Italy.

These figures are not sacrosanct: international comparisons are notoriously difficult and there are various ways of measuring output per head. But it is not unreasonable to argue that British productivity is still only between a third and a half of that in other leading industrial countries. There is thus a lot of catching up to do.

Much attention has focused on three aspects of Britain's alleged industrial weakness : the emergence in 1983 of the first deficit on manufacturing trade since the Industrial Revolution; the smallness of Britain's manufacturing base relative to its total gross domestic product; and the sharp contraction of employment in manufacturing. In 1985, a House of Lords select committee led by Lord Aldington argued that, if nothing was done, the nation would face "a major social and economic crisis."

Some of the concern about the trade deficit, which has since widened, the shift towards services and the continuing loss of manufacturing jobs is, however, misplaced. These trends may have comparatively little to do with the failure of British manufacturers : this, at least, is the thesis of a new book* by Bob Rowthorn and John Wells, two economists at Cambridge University.

They draw attention to the dramatic change in the structure of *non*-manufacturing trade since the war and argue that it would have caused the virtual elimination of the manufacturing surplus even had British industry been a world-beater. At the same time, the smallness of the UK's manufacturing base relative to GDP is mainly a sign that Britain reached economic "maturity" earlier than any of its rivals.

Immediately after the Second World War, the UK needed to earn a vast surplus on trade in manufactures to pay for essential imports of food, raw materials and fuel. It had liquidated its overseas assets and incurred huge debts and faced a deficit on non-manufacturing trade in excess of 10 per cent of GNP.

But what many economists and industrialists have failed to accept is that the post-war situation was exceptional. The importance of manufacturing for UK trade has declined ever since: the UK is no longer a "workshop economy" like Japan or West Germany, not because it is unsuccessful, but because it does not need to specialise in widgets.

As Rowthorn and Wells point out, every major component of non-manufacturing trade - food, raw materials, fuel and non-government services - has steadily strengthened since the early 1950s. The most dramatic turnround has occurred in food and raw materials; indeed the magnitude of this change quite dwarfs the impact of North Sea oil on the fuel balance.

In 1950, the UK was running a deficit on food, beverages and tobacco of almost 7 per cent of GDP. Massive investment in agriculture and the adoption of intensive farming techniques has led to a doubling of domestic food production; this, coupled with a decline in world food prices, resulted in effective self-sufficiency and the virtual elimination of the deficit by 1983.

The combined deficit on food and raw materials has been reduced by around 11½ per cent of GDP over the past four decades. If the less important, but still strongly positive contributions from services and fuel are added in, the total improvement in the non-manufacturing trade balance between 1950 and 1983 is equivalent to a staggering 14½ per cent of gross national product.

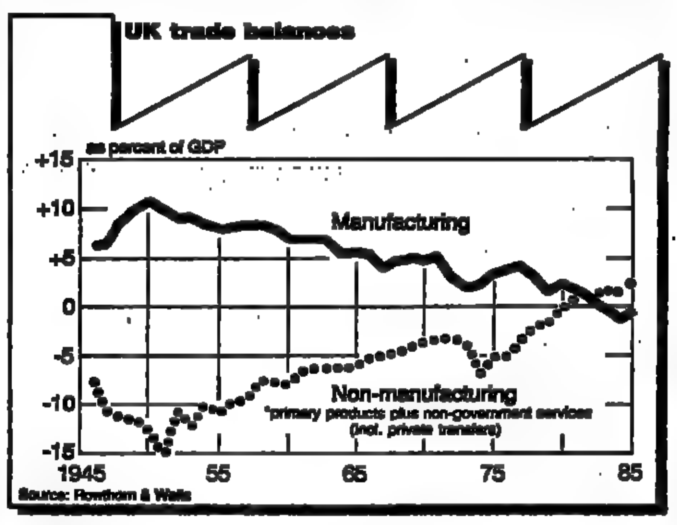
No other leading industrial country has achieved such a prolonged and massive improvement in all areas of non-manufacturing trade. Indeed, many have experienced a deterioration, albeit not on the scale of the UK's gain. For example, between the early 1960s and the early 1980s, the non-manufacturing deficits of Italy, West Germany and Japan *increased* by 5.1 per cent of GDP, 3 per cent and 1.6 per cent respectively.

It was both logical and necessary that these countries should increase their manufacturing surpluses over the post-war period. But Britain, experiencing a largely autonomous improvement in non-manufacturing trade, was in the reverse position. It would have been neither possible nor sensible for the UK to maintain the double-digit manufacturing trade surpluses of the immediate post-war years.

The decline in the UK's manufacturing surplus was thus the result not primarily of progressive industrial failure but of a change in its trade specialisation. If UK industry had done better, argue Rowthorn and Wells, manufacturing exports would have grown faster. But so too would imports; the surplus would still have shrunk almost to zero, if not actually gone into deficit.

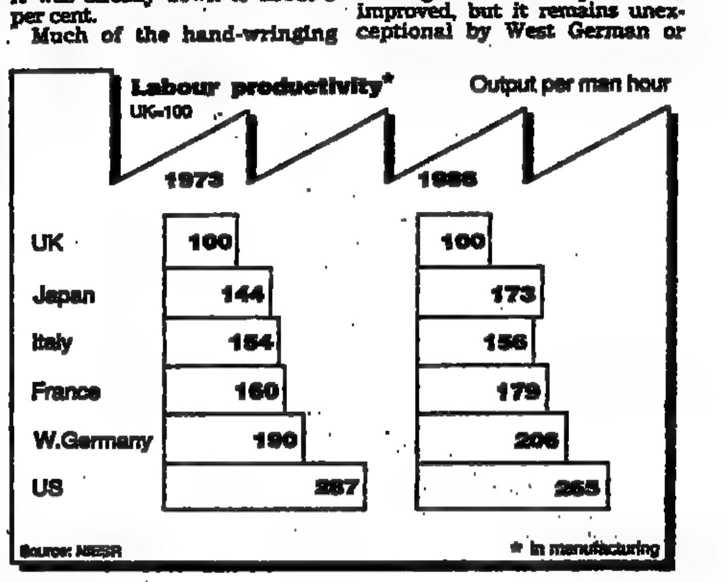
By the same token, the small share of UK manufacturing in GDP and the steady decline in manufacturing employment since the mid-1960s are not primarily signs of economic decline. They reflect the changing trade structure and the fact that the UK reached economic maturity earlier than its rivals.

Britain reached its peak of industrialisation in 1955 when industry's share in employment was 48 per cent: no capitalist country, before or since, has been more industrialised. West Germany reached this stage in its economic development only in 1970, when industrial employment peaked at almost exactly the same ratio of GDP. Japan is further behind still.




The UK experienced the largest proportionate decline in manufacturing employment of any major country precisely because it was so advanced (although not rich) in the early 1950s. While British manufacturing has been in relative decline, other countries have, until recently, had scope to switch workers out of agriculture into industry. In 1955, agriculture's share in total employment was more than 20 per cent in Japan and Italy, and more than 10 per cent in West Germany; in the UK it was already down to about 5 per cent.

Much of the hand-wringing about UK de-industrialisation is thus misplaced. The Aldington report's alarm at the decline of the manufacturing surplus, for example, largely reflected a failure to appreciate the nature of post-war economic trends.




However, while UK manufacturing's share of employment and output was bound to decline, it did not have to trail the world in terms of output growth, productivity and profitability. These necessary structural changes were not at all inconsistent with a healthy and efficient manufacturing sector. The absolute decline in manufacturing output in the 1970s and early 1980s was unnecessary and greatly held back the growth of living standards.

The tendency for manufacturing's share of GDP and employment to decline in a mature economy does not imply that the sector is relatively "unimportant." The decline is partially an optical illusion: because the scope for productivity gains is greater than in other sectors, the prices of manufactured goods tend to decline relative to the prices of services. This pushes down manufacturing's share of GDP in current price terms and disguises the magnitude of its contribution to real growth.

Future living standards in the UK will depend in large measure on the success of manufacturing. This is both because the sector is the main source of productivity growth and because further substantial improvements in the non-manufacturing trade balance are improbable. The food and raw material balances are unlikely to strengthen further; the fuel balance will deteriorate as North Sea fields mature. The historical trends that caused the manufacturing surplus to disappear are thus partially reversing themselves.

The issue is not whether Britain can turn itself back into a 1950s "workshop economy," but whether the recent, encouraging trends on output, productivity and profitability can be sustained. If they can, the UK may indeed no longer have a "manufacturing problem."

There is still room for plenty of scepticism. The quality of management may have improved, but it remains unexceptional by West German or Japanese standards. Labour unions are subdued and willing to accept more sensible work practices. But will the new co-operative spirit survive a substantial tightening of the jobs market?

And although profitability is up, there are still worries about "short-termism." British managers have become adept at cutting costs, but it is less clear that they are capable of the strategic planning required if lost world markets are to be regained.

Capital formation still looks inadequate to support sustained rapid growth: in 1986, manufacturing investment (including leased assets) was still 13 per cent lower in real terms than in 1979. The implication is that, despite much greater financial security, British manufacturers still lack confidence. They are still unwilling fully to commit themselves to expansion.

**De-industrialisation and Foreign Trade by R E Rowthorn and J R Wells; Cambridge University Press; £15 paperback, £40 hardback.*

*Previous articles in this series appeared on November 23, 24, 25, 26 and 27.*

# Men and Matters

VIENNA, November 29

### Shopping for freedom

Advent, the religious period before Christmas, has a special significance in Vienna. For four wonderful weeks, the shops remain open until six in the evening on a Saturday. For Vienna, that is a revolution. Shops normally close sharply at 12.30 and remain locked until the following Monday.

When it comes to longer or more flexible shopping hours, the shopkeepers complain. They criticise the extra wages and holidays they will have to shell out. Given that Vienna is a tourist trap, the costs could be offset by the thousands of extra schillings a week they could make from the frustrated tourists who flock into the city for a weekend only to find the immortal word, "Geschlossen" - closed, adorning the door of each lederhosen shop.

Nobody, it seems, will make a decision about lengthening the shopping hours. Dr Helmut Zilk, the ebullient socialist mayor of Vienna, is afraid of upsetting the unions even though he has the power to grant Vienna the status of a tourist city which would automatically give it the right to longer shopping hours.

Meanwhile the ministries for economy and social affairs say it is up to the Kammers, the old-fashioned guilds who are extremely protective of their members' interests, before any decison has been made. No one is prepared to break the tidy, stifling consensus-type politics which runs Vienna and large parts of the country.

Except perhaps the indefatigible Mrs Gesine Tostmann, the one person who is trying to shake the Viennese out of their anti-entrepreneurial lethargy. That however, means taking on the bureaucracy.

Since 1984, she has illegally opened her shop which sells all a tourist could wish for. It is quite something to read the magistrate's statements about her illicit dealings. They amount to a virtual law report, itemising in extraordinary detail the hours during which Mrs Tostmann broke the law.

Everytime the magistrate comes round she has to pay Sch1000 (£40) for the paper work, but she is unrepentant. "If people want choice, we should be able to exercise it" she says, undaunted by the prospect of facing the magistrates over Advent when, sin of all sins, she wants to open her shops on a Sunday too.

### Dear politics

Change might be on the way under the Socialist-led coalition government oF Dr Franz Vranitzky, the Chancellor.

He has vowed to get rid of the notorious "Parteibuch" (party book) system in which it was expected that for certain jobs, applicants had to belong to one of the two main political parties - the Reds, the Socialists or the Blacks, the conservatives. SInce 1945, both parties have had it more or less sewn up. The top management in banking and insurance, the ministries and state-run industry used to be shared between the two parties.

This comfortable consensus-style politics has been costly, according to a fascinating book, Das Voest Dabakel by Franz Sommer, former press spokesman of Voest-Alpine. This is the state-run steel and engineering group which, besides recording huge losses, was involved in illegal trading on the oil markets in 1985 which led to even heavier losses. It is now being alleged that Voest-Alpine illegally sold arms to iran.

Sommer's book is revealing but depressing about the Austrian way of doing things. As the world steel market went through recession and so was forced to introduce major changes, the Voest Alpine management turned a blind eye to the situation.

The shop stewards struck up, in what Sommer calls, "an unholy alliance with politicians" and resisted all change. People were recruited on the basis that they would not rock the boat or else they knew "somebody." The management, says Sommer, lived for their hefty pensions, ignoring the crumbling, uncompetitive edifice which politicians refused to openly challenge.

Apparently everything is supposed to be different at Voest-Alpine since the sweeping managerial changes of 1986 and the restructuring introduced earlier this year, but Sommer is far from optimistic. He says that Austria needs more civil courage and that people should stand up and criticise. He is aLLuding to corruption and protectionism in Austrian politics. Chancellor Vranitzky will need much support if he wants to get rid of these old habits.

### Soros support

Talking of support, George Soros, the New York-based financier who lost nearly a billion dollars on Black Monday, maintains his good-humoured and generous nature. He is one of those many Hungarians who left the country and became successful but he has never turned his back on his birthplace.

In the current issue of Heti Vilaggazdasag, the Hungarian economics weekly, Soros gives an interview in which he sets out his plans not only for Hungary but also for the Soviet Union.

His plans are linked to the "Soros alapitvany" to give it's Hungarian title, otherwise known as the Soros foundation. For several years Soros has given a lifeline of support to Hungarian scholars. As the Hungarian ministry of education budget is reduced even further, many Hungarian economists, sociologists, historians and political scientists are looking to Soros to give them a chance to study abroad or at least to take a sabbatical

At Bloomington, Indiana, Hungarians practically run the economic history department, thanks to Soros. He has also financed post-graduate work for visiting Hungarians at Oxford, Vienna and other places. and just to show that he won't pull out of this rare spirit of altruism even though he has lost millions, there's a half page advertisement in Heti Vilaggazdasag requesting applications for next year's foundation grants.

In the interview, Soros says he is hoping to attract Soviet scholars to his foundation. He already has contacts with Tatiana Zaslavskaya, the economist from the Novisbrbirsk Institute and a great supporter of Mr Gorbachev. Soros believes in giving academics a chance to work quietly and productively. even if they have fallen out with the system, as some Hungarians have.

### Rushing brides

Chancellor Vranitzky's austerity budget is running into problems. The students are still striking over the proposed plan to end child benefit allowances by one year to the age of 26. They are even demonstrating, an uncommon event in Austria.

The judges are planning a strike this week over reductions in the bureaucracy. but the proposed budget plans are posing an unexpected spate of work for the local magistrates in the marriage registry offices.

Each newly-married couple receives the princely sum of Sch15,000 (£750) from the state, emanating from the benevolence of Dr Bruno Kreisky, the former socialist Chancellor who once boasted that he didn't know a thing about economics.

Alas, Dr Kreisky's generosity is now part of the cost-saving budget. The finance ministry wants to scrap this present which was seen as yet another typical political gesture by Dr Kreisky.

The result? Hundreds of young courting couples are rushing to the registry offices to get married before the end of the year so that they can receive their wedding gift from the state.

"Yes, it's true. there's a queue for the weddings", sighed a little old lady in one of the magistrate's offices. "We have to get the marriages signed, sealed and registered before the end of the year. You know, the money is very important to them. I suppose they are marrying out of love as well."

**Observer**

**Tony Walker reports on how drought in east Africa has dangerous implications for Egypt**

# The Nile thirsts for life

WHAT THE NILE gives to the Egyptians it can also take away. The great river has rarely failed them in more than 7,000 years of civilisation, and yet persistent drought in its catchment areas is threatening disaster.

The crisis of the Nile goes to the very heart of Egypt's existence. Nothing would be more likely to erode its image of itself, its traditions and its self confidence than further prolonged drought.

Underlying the discussion - in dusty offices in Cairo among technicians responsible for monitoring the river's flow and in the gilded salons of senior officials - is an unspoken fear that weather patterns may be permanently changing in the country's African hinterland, source of the Nile waters.

These concerns have flowed quietly through sections of the bureaucracy and lapped at the doors of the presidency itself. But to the dismay of some in the higher echelons of the Egyptian Government, there is little sign that the extent of the danger is appreciated.

"Nobody has the courage to say the king is naked," says a senior and highly articulate Egyptian official, who has mounted something of a personal campaign to alert his colleagues to the need for stricter conservation measures.

Images of Ethiopian peasants starving to death after yet another failure of the rains should be particularly painful in Cairo, because the uplands of Ethiopia, source of the Blue Nile, collect 84 per cent of the waters flowing through Egypt. Yet if the Egyptian Government is concerned, its worry is well disguised.

A seventh year of drought in the Ethiopian catchment of the Blue Nile - matching Joseph's biblical vision of seven lean years threatening the inhabitants of the Nile valley and delta - is, it seems, being realised. Rainfall in Ethiopia has been consistently low since 1981. Water flows at Aswan of just 38bn cubic metres in 1984-85 and the expected 42bn cu m this year are on a par with the century's previous low of 42bn cu m in 1913-14.

The crisis of the Nile has political, social, economic, demographic and foreign policy dimensions which are likely to come into focus if the drought persists beyond August 1989. By then, at the present rate of consumption, all usable reserves will have been exhausted in Lake Nasser, formed by the completion of the Aswan high dam in 1971, on the borders of Egypt and Sudan.

Egypt's irrigation year runs from the beginning of August to the end of July. Total yield this year, based on four months' data from the Blue Nile catchment corresponding with the July-October rainy season, is expected to reach about 60bn cu m, compared with the average of 84bn cu m. Egypt's quota will fall well short of the 55.5bn cu m it is entitled to under a sharing agreement with Sudan.

Egypt's predicament is that it is almost totally dependent on a single water source, which is subject to climatic fluctuations and to unpredictable developments upstream among the seven volatile African states (eight including Egypt), which form the Nile basin. It is perhaps unsurprising, if a little melodramatic, that Mr Boutros Ghali, Egypt's Minister of State for Foreign Affairs, should have declared recently that: "The next war in our region will be over the waters of the Nile, not politics."

Egypt's immediate problem, however, is that to maintain the standard annual flow through the Nile at Aswan of about 55.5bn cu m - the volume necessary for its livelihood - it is being forced to draw on buffer stocks in Lake Nasser which are already perilously low. According to Mr Abdul Hady Rady, a senior irrigation ministry official, Egypt will utilise about 10bn cu m of a 17bn cu m reserve in the year to July 1988 to augment available water supplies.

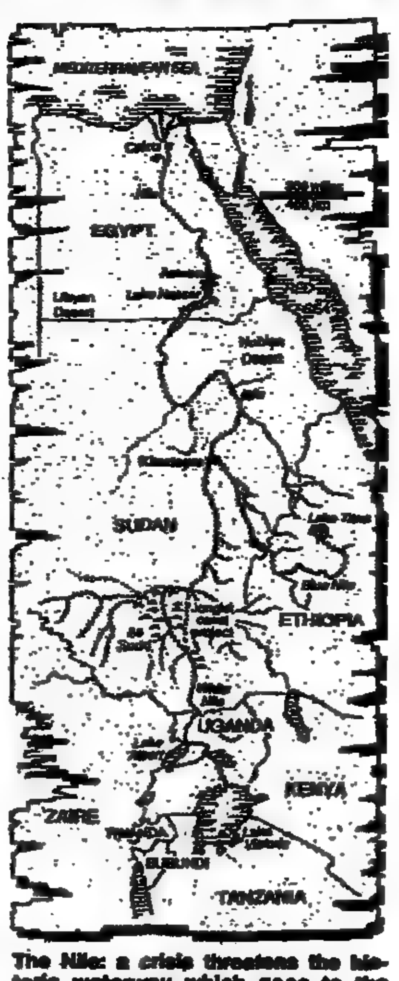
Usage over the 12 months of an additional 10bn cu m of buffer stocks would leave Lake Nasser with just 7bn cu m in reserve for the following year (1988-89). Unless the drought breaks, Egyptians are certain to be forced for the first time in recent memory to accept restrictions on water use.

Continuing dry years into the 1990s would play havoc with Egypt's ambitious land reclamation plans and make its rapid rate of population increase even more difficult to sustain. Such a development would also increase the country's already high level of dependence - 50 per cent - on imported foodstuffs.

Allied to these problems is the fact that diminishing reserves in Lake Nasser are restricting hydroelectric power generation from the massive turbines of the Aswan high dam. According to a US energy expert, the waters of Lake Nasser stood at 158.37 metres above sea level on November 1, which meant that generating capacity was already down by about 25 per cent.

By the end of July next year, the dam is expected to have dropped to 151 m above sea level, which would erode generating capacity by a further seven per cent. The flow of water from Lake Nasser through the high and low dams above Aswan, near the borders with Sudan, accounts for about 28 per cent of Egypt's electricity requirements.

A shortfall in Egypt's main energy source will have serious repercussions in a country which is already experiencing shortages. The electric power supply failed to meet demand on at least 70 days between January and September this year, according to the




**The Nile: a crisis threatens the historic waterway which goes to the heart of Egypt's existence**

United States Agency for International Development (USAID).

If Lake Nasser drops below a range of 143 to 145 m above sea level, the turbines will have to be shut down. This point will be reached sometime in 1989 if the drought persists, but experts point out that the level could dissipate more quickly than anticipated because the lake's flood plain is drying up and the water level will soon begin to drop in the Nile river channel itself.

A briefing paper, prepared by USAID's office of irrigation and land development, predicts imminent water shortages and makes ominous reading. It says that Egypt needs to manage its limited water resources better. The urgency stems from:

- The apparent lack of conservation measures covering the use of the water reserves behind the Aswan high dam during the recent African drought.

- Estimates that show there will be insufficient water to sustain Egypt's projected population by the year 2000, unless drastic conservation and management improvements are put into place during the next few years.

The unpleasant reality is that the country's population of 51m is growing annually by up to three per cent - about an extra million every eight months. By the year 2000, the total will have reached between 65m and 70m. A senior irrigation ministry official estimates that, by the end of the century, the country will require more than 70bn cu m annually to sustain its growing population. Where will the water come from?

Mr Rady says the ministry's main task is to make better use of available water. Efficiency usage stands at about 50 per cent, low by international standards. He believes that this could be raised to 75 per cent by lining canals to stop seepage, using pipelines instead of canals and changing irrigation methods from the wasteful flood to more selective watering. Supplies could also be maximised by recycling.

But all this takes time in a largely agrarian country, where peasants still employ ancient water management practices which, in some cases, date from the time of the Pharaohs. Egypt's arable land amounts to about 6m acres. Modern irrigation methods are being applied to only about 125,000 acres, little more than two per cent of the total.

Egyptian officials most immediately concerned with making the best use of water seem almost insouciant about the dangers. Relying on ancient records, dating from before the birth of Christ, they insist that present shortages are merely an aberration in the life-giving history of the world's second longest river, the main channel of which stretches for 6,700 kilometres.

They report that in the past 3,000 years prolonged drought has only been experienced on a few occasions: once during the reign of Rameses II (1304 - 1237BC) and later in the eighth century AD during the Fatimid period. The completion of the Aswan high dam in 1971 was meant to give an almost absolute guarantee against famine and drought.

Less sanguine about prospects are American experts who have studied the records and arrived at different conclusions. "Based on this (study) and on the current knowledge of worldwide weather patterns, it might be assumed that we are currently entering a low flow period for the next 15 or 20 years," the office of irrigation and land development report says.

But it also warns that the "long-term weather patterns and water yields to Egypt could very well be changed, because of man's influence through various development and use activities in the countries within the watershed."

Egypt is very conscious of the threats of serious interruption to its lifeline because of possible political disruptions upriver. This is one of the reasons why its foreign policy has turned increasingly towards Africa.

A reminder of the potential danger has been the interruption, because of civil war in southern Sudan, to the Jonglei canal project to improve the flow of water through marshland impeding the White Nile, the source of which is Lake Victoria. The Jonglei project, part-funded by Egypt and the European Community, was designed to increase the volume of water flowing into Lake Nasser by about 4bn cu m a year. It was 70 per cent completed when work was halted in 1983. There is no sign of it being resumed.

Mr Ghali estimates that the Sudanese civil war and failure to complete the Jonglei project is costing Egypt up to $200m annually. He says that an additional 1m acres of land could be irrigated if the canal had been completed as planned three years ago.

"But," he observes, "the problem of water is linked with long-term solutions to political disputes in the region." Southern Sudanese rebels are receiving assistance from Kenya, Uganda and Ethiopia.

Interruptions to the Jonglei scheme are impeding plans for other conservation projects, such as the creation of a dam on Lake Mobutu (previously Lake Albert), on the borders of Zaire and Kenya, to marshal water resources better. There is no chance of raising funds for the second project until work on the Jonglei canal resumes, he says.

Egypt, in its anxiety to promote economic and political co-operation among the eight Nile basin countries, co-sponsored several years ago the formation of the *Undugu* Group (*Undugu* means fraternity in Swahili). The group includes, apart from Egypt, Uganda, Tanzania, Rwanda, Burundi, Zaire, Sudan and Kenya.

Cairo is aware not only that the potential for disputation within these countries is great, but also that they are undergoing high rates of population increase. Kenya, for example, has one of the highest birth rates in the world.

"The day that Kenya decides to use water from Lake Victoria, we'll have less water in Egypt," says a senior official. "One litre of water used for their irrigation will be deducted from water received in Cairo."

## Lombard

# The high price of low quality

**By Christopher Lorenz**

WHENEVER A western currency soars, slides or even merely stutters, the local business lobby and its attendant stock market grind into action with a show of either delirium or despair.

The dollar slides against all comers, so America readies itself for a welcome cut in its yawning trade deficit. The D-mark soars against the dollar, so West Germans worry about the imminent end of exports to America - even if, as last weekend, Volkswagen chooses the same moment to announce an end to US production, and its confident reversion to direct exports from the Federal Republic. Even when more marginal currency shifts occur, whether in sterling or the schilling, major trade ramifications are instantly forecast.

It has been the same for the past 15 years, ever since an unwilling world was dragged into an era of floating exchange rates. Yet whatever the lobbies, the stock markets, and their tame economists may claim, the truth is not so simple - as the VW move demonstrates. What is all too often ignored on these occasions - in public, at least - is that few products sell purely on price. If they did, then VWs, Mercedes and Volvos would long since have ceased to sell in most countries, as would West German machinery, Sony televisions and countless other items.

Still higher-priced products sell almost entirely on status and style: significantly, it is not currency factors, but the collapse in Wall Street confidence (and bonuses), which caused the sudden US sales problems which Porsche revealed a fortnight ago.

Price certainly plays a part in international trade, ranging from major to minor. But so, in a growing number of products and markets, does a host of "non-price factors", notably design and quality (in the form of product performance, ease of use, reliability and so on), as well as delivery and service. This became especially obvious in the 1970s, when West German exports withstood successive revaluations of the D-mark, in spite of the worries of many companies - VW, for one, reacted by starting production in the US.

Since then one research study after another has demonstrated that design and quality play at least as great a role as price in purchasing decisions. In Britain alone the National Economic Development Office, the Science Policy Research Unit (SPRU), the Open University and several other bodies have produced a litany of studies with similar results; the sectors surveyed include TVs, washing machines, office furniture, electronic business equipment, medical instruments, domestic heating, plastic products, and various types of machinery.

It is precisely because Japan has mastered the art of combining reasonable prices with considerable "differentiation" - extra quality, additional features, and so on - that many Japanese order books are already recovering from the soaring yen. This puts non-price factors increasingly at a premium for other countries, even for companies that have always traded purely on price.

The current acceleration of this trend explains why a study on "strategic marketing" by Insead, the European business school near Paris *, has just found that most senior executives in a sample of 128 leading European companies rank quality of products and services as their prime strategic concern for the 1990s.

The Insead results could be read as implying that Europe as a whole - including its quality laggards - is at last starting to chase the Germans, Swedes and Japanese in the quest for non-price differentiation. But research from SPRU and elsewhere sounds a cautionary warning. It suggests that in sectors such as cars, portable power tools and machine tools, the Japanese are offering high quality at medium prices, while the Germans are specialising in high quality at high prices. The British are providing only medium-to-low quality, yet are trying to charge medium prices.

A generalisation, to be sure, with honourable exceptions. But such a strategy is becoming even less sustainable than it used to be. In every product market, the name of the game these days must be good design and high quality at a reasonable price. Nothing less will do.

**Details from Jean-Claude Larreche, Insead, Boulevard de Constance, F-77305 Fontainebleau, France.*

# Letters to the Editor

## Financial services ads and the Act

*From the Chief Executive, Metal Bulletin*

Sir, Clive Wolman's two reports (November 23) on aspects of the troubled path to implementation of the Financial Services Act are timely. However, by broadly suggesting that the outstanding problems are all to do with securing the desired degree of investor protection, he may be blinding your readers to the existence of problems on the other side of the coin - ie, damaging over-regulation.

As an example of this, I cite a matter we have been raising with MPs, the Minister for Consumer Affairs, the SIB and, through our trade association, with the DTI for some five months, so far without practical answer - and often without evidence that our message has even been understood.

This concerns financial services advertisements placed in international publications published in the UK.

Such advertisements are now placed with a view to reaching a worldwide audience by suppliers of services who are based overseas and have no interest in being authorised in the UK. However, the UK-based publisher is enjoined by the Act from carrying any advertising material offering financial services unless it is authorised. The Act, which seems blissfully unaware of the globalisation of markets in financial instruments, assumes that all such advertisers will themselves be authorised. But - in the circumstances described above - they will not be.

We can see only one effect of a rigid application of the terms of the Act. Such advertising will be driven out of the UK-based international publishing sector, and handed on a plate to publishers based elsewhere in the world.

It may be that at this very moment the SIB rules on financial advertising (which will be ready "soon") are being drafted to take account of this particular point, but we have, thus far, absolutely no reason to expect this. More to the point for most of your readers, there are so many other ways in which the Act, and its interpretation, seem headed for an Alice in Wonderland result. Aunt Agatha may feel happy, metaphorically speaking, that those nice men in the Government are going to protect her against any tendency she may have to fall downstairs. But if it means that each and every one of us has to live in a bungalow, she may find the price of such protection too high. And, in line with Barry Rider's remarks on financial fraudsters, none of this will stop her being mugged in the street.

I am really concerned that too many people in financial services have simply not yet thought through the full reach and impact of all these developments - especially when they are viewed from an international standpoint.

T.J. Tarring,
*Park Terrace,*
*Worcester Park, Surrey*

## California sets an example

*From The Director of the Association for the Conservation of Energy.*

Sir, I am most encouraged that Cecil Parkinson, the Energy Secretary, should choose to cite California as an example our privatised electricity industry should follow (November 18).

The instance he gives is the proportion of power from particular sources which a private electricity company is required by law to generate. In Britain it is apparently to be 20 per cent to 25 per cent from one source (nuclear); in California it is 10 per cent from the range of renewable energy sources.

But perhaps another lesson worth drawing from California is that, before any electricity company engages upon an investment project like a power station, it is required to demonstrate that it has considered all alternatives, including load management and energy conservation; and that the project proposed is the least cost option available. Such exercises are now mandatory in approaching half the States in the Union, in order to ensure that investment plans are in the best interest of both utility and customer.

Andrew Warren,
*Association for the Conservation of Energy,*
*9 Sherlock Mews, W1*

## Nuclear balance in accounting

*From Mr Paul A. Hendrick.*

Sir, Mr Miller, chairman of the South of Scotland Electricity Board, asserts (November 18) that his nuclear power stations are cheaper to run than his large efficient coal fired stations.

This claim can only be made in the context of the warped accounting policies applied by the electricity industry which effectively treat original capital cost as "sunk cost," and fail properly to reflect this cost in their income statements by way of depreciation and financing charges. More crucially still, those income statements fail to make any provision for the huge cost of decommissioning nuclear power stations at the end of their useful lives.

It is significant that it is in countries such as France, where this warped accounting is developed to a fine art form, that the nuclear power industry flourishes. By contrast, in the US, where generally accepted accounting principles are applied and where the nuclear power industry is not insulated from market forces, there has been no new investment in nuclear power stations for over a decade; and many existing stations are mothballed.

All this was, of course, implicitly accepted by Mr Miller's political master Mr Cecil Parkinson, who, speaking at the same conference, said that the high cost and low returns of nuclear power stations made them unattractive to private investors. Why investment from public funds should have a lower required rate of return than that from private investors this guardian of the public purse did not make clear.

Instead, Mr Parkinson resorted to vague references to the need to maintain diversity of supply. Are we now to take it that the sole remaining justification for massive investment in nuclear power is the avoidance of industrial relations problems with Mr Scargill?

Paul A. Hendrick,
*14 Park Crescent, N3*

## Electricity price plans cause concern

*From Mr D.R. Davidson.*

Sir, The Director General of the CBI has usefully focussed concern over the government's plans for electricity prices. These look as if they owe more to the last Labour administration's 1978 White Paper on the Nationalised Industries, and to the desire to maximise receipts to the Exchequer in the short term, than either to practical business considerations or the statutes. The latter require no more than that the Electricity Boards should at least break even.

While the White Paper can be used to argue for higher rates of return, it is difficult to square this with long accepted marginal pricing principles. The demand for higher profitability pays little regard to consumers' interests, and manufacturing industry is particularly disadvantaged because of the "no undue discrimination" requirement in the legislation. While admirable in theory, this does not apply to gas, and constrains the Board's ability to compete.

Industry needs to be able to buy electricity on terms reflecting the basic importance of the service involved, comparability with other European countries, and the low-risk nature of the business. The idea that the consumer should pay twice for new investment, once in advance through increased prices and again later, through depreciation charges, seems questionable. Decisions on major new generation investment are rapidly becoming overdue; there is no room for delay either because of an uncommercial pricing policy or the complexities of privatisation.

D.R. Davidson,
*Power Plant Contractors' Association,*
*Artillery House,*
*Artillery Row, SW1*

## 'Giffen Good' means a necessity

*From Mr R.A. Parker.*

Sir, I was surprised at the somewhat dismissive tone with which your Observer column reported the award of a large grant to answer the question "What is a luxury?"

Perhaps some of your own contributors should read a copy of the findings - especially the author of the Dunhill Holdings analysis (November 19), who described a £142 Mont Blanc fountain pen as "a prime example of a Giffen Good."

The term "Giffen Good" is normally used to describe a basic necessity which takes up a such a large proportion of a consumer's income that when its price rises, demand rises, as the consumer cannot afford to purchase anything else - for example, potatoes during the Irish Famine.

Mont Blanc pens and other articles of ostentation are known as Veblen Goods.

Richard Parker,
*City University Business School,*
*Frobisher Crescent, EC2*

## Beaujolais Nouveau compared

*From Mr Simon Bronkhurst.*

Sir, Following your report on Beaujolais Nouveau, is it not time that real wine enthusiasts made their opinions known?

Is not the quality of the very cheap "primeur" Beaujolais a confidence trick of the lowest order?

Is it not a fact that the French have hit upon a method of selling over-production of a comparatively indifferent wine to a gullible public?

Compare, for instance, Beaujolais Nouveau with, say, an ordinary Bulgarian red: the latter is without doubt far more acceptable. And one could go on to cite other equally obvious examples.

I exclude, of course, the named wines of Beaujolais such as Morgan and Fleurie - but then one is not expected to join in a chase to get them to the UK from France in a matter of hours.

Simon Bronkhurst,
*Old Timbers,*
*The Pound,*
*Cookham, Berkshire*

FINANCIAL TIMES

Monday 30 November 1987



Janet Bush on Wall Street

## Refuge in cautious selectivity

WALL STREET may be heading for 2,000 again. On the other hand, it could test 1,800 before long. No-one is prepared to bet either way. Nevetheless, there is no shortage of advice emerging from Wall Street firms - battered but not visibly bowed - in whose interest it is to foster the notion that corporate America can still offer attractive returns.

What now runs through circularised recommendations, however, are exhortations to caution and selectivity. Salomon Brothers provides its clients with 25 potential buys for the "aggressive investor" and 31 for the "conservative investor." Salomon, which counts itself in the category of those who expect a period of post-crash consolidation rather than a full-scale recovery, bases its choices on a highly-technical analysis of money flows.

Its very particular methodology comes up with stocks which cut across a varied selection of sectors. The recommended stocks, for both the conservative and the aggressive investor, range from United States Surgical, a manufacturer of surgical stapling devices, through to Helene Curtis Industries, specialising in beauty treatments and hair care, to Exxon, the largest oil company in the world.

Nevertheless, amid this catholicism, there is a fair smattering of traditional manufacturing companies, tipped to perform the locomotive function for the US economy as the mighty US consumer loses steam.

Even before the collapse in share values in late October, there had been an assumption that consumer spending, which has kept the economy growing at a healthy clip so far this year, would soon hand over the baton to export-orientated manufacturing companies, which were at last responding strongly to the sharp depreciation in the dollar.

Initial analysis of the post-crash environment - patchy and tentative as it is - serves to underscore this line of thinking. Data on the state of retail sales in the run-up to Christmas is anecdotal at best and official figures for post-crash consumption are not yet available. Uncertainty about the impact of the crash is keeping consumer, leisure and luxury stocks on the defensive.

In contrast recent data, including third quarter GNP which was revised significantly upwards, coupled with October's healthy increase in non-defence capital goods orders, have provided evidence of healthy growth in the manufacturing sector.

A simple analysis of share price movements during the crash and afterwards tells this story as clearly as anything else.

Sears, Roebuck, the leading US retailer, has recouped little of its 27 per cent fall in value during the October collapse. After tumbling from a high $52½ to a low of $26 in October, the share has managed only a modest recovery to $33½ by last Friday.

A similar picture can be drawn in those sectors associated with the spending of more affluent sectors of society, which theoretically should be affected most by stock portfolio losses.

A case in point is Outboard Marine, a leading manufacturer of outboard motors for speed boats for the young and upwardly mobile. Its share price stood at a high of $37⅛ in October, but plummetted to only $17¼ as luxury retreated in the face of potential economic calamity. Since the dark days of October, Outboard Marine's share price has recouped a paltry $¼, a poor recovery in comparison with less glamorous industrial stocks.

Now take manufacturing. Bethlehem Steel has recouped more than half of its loss during October. This 50 per cent retracement is common to many heavy industrial stocks which were very hard hit by the selling as investors and institutions placed their bets on an imminent recession.

Another example is Caterpillar, manufacturer of diesel engines and earth-moving equipment. Its shares plummetted from a high of $73⅞ in October to a low of $41⅛. By the close on Friday, its shares stood at nearly $60.

These price movements suggest there is a view that the US is not heading for an all-out recession and that the panic selling of industrial stocks in October was an over-reaction. There is little doubt that pockets of industrial America, so badly hit by the overvaluation of the dollar during the early 1980s, are fighting back.

The cost-cutting and redundancies have created leaner, fitter companies well placed to capitalise on the competitive advantage afforded by the dollar.

There are, however, some companies which did not so much slim down as become anorexic. Some of these face serious capacity constraints which are now being reflected in a marked recovery in capital investment.

The ability of these companies to regain lost pounds and so cope with strong demand may hold the key to price recoveries towards pre-October levels.

# US confident of progress at summit on arms cuts

BY LIONEL BARBER IN WASHINGTON

THE US expects to make major progress at the Washington summit on a treaty cutting the superpowers' strategic offensive weapons by 50 per cent, Mr George Shultz, the US Secretary of State, said yesterday.

Mr Shultz said President Reagan would negotiate personally with the Soviet leader Mr Gorbachev, building on their tentative agreement at Reykjavik last year to reduce the number of strategic warheads to 6,000 on each side.

The outline deal at Reykjavik collapsed over Soviet demands to curb President Reagan's Strategic Defence Initiative (SDI), the space-based defence shield against offensive missiles. In the run up to the summit, however, there are persistent reports in Washington that the Reagan Administration may be prepared to be flexible on SDI in order to secure a strategic missile pact by spring next year.

The Washington Post reported yesterday that officials in the State Department and the Pentagon's SDI office have concluded that revised Soviet demands for curbs on SDI would barely interfere with testing of SDI technology between now and 1995.

The report said Admiral William Crowe, the chairman of the Joint Chiefs of State, believed it may be possible to negotiate with the Soviets on SDI without fatally compromising the SDI research and testing programme.

President Reagan, in his weekly radio address on Saturday, repeated that SDI was not a "bargaining chip" in arms controls negotiations. Mr Shultz, interviewed on CBS television yesterday, said the US was not prepared to make a compromise on SDI or on the 1972 ABM treaty which governs testing and development of missile defence systems.

But Mr Shultz hinted that the Administration might strike a deal if it was clear that the Soviet curbs did not undermine the programme. "We will never compromise our ability to learn how to defend you against ballistic missiles and to deploy those defences if we can find them," he said.

Observers note that the Reagan Administration has, under pressure from Congress, just agreed to de facto restrictions on SDI under the 1988 Defence Authorisation Bill. This effectively limits SDI testing to what is permitted under a strict interpretation of the ABM Treaty.

President Reagan's conservative supporters believe that SDI is a touchstone of the Reagan presidency, and are alarmed about the prospect of any US concessions.

# France and Iran take steps to break diplomatic deadlock

BY PAUL BETTS IN PARIS

FRANCE and Iran appear to have made significant progress at the weekend in resolving their diplomatic deadlock, which could eventually lead to the normalisation of relations between the two countries.

Concrete signs of a breakthrough emerged last night when Mr Wahid Gordji, believed to be the number two at the Iranian embassy in Paris, finally agreed to be questioned by a French magistrate on the terrorist bombings which shook the French capital in 1985 and 1986.

Mr Gordji left the Iranian embassy, where he took refuge five months ago, for questioning last night by the French magistrate investigating the bombings. He was allowed to leave French territory after his appearance before the magistrate.He was flown out of Paris on an executive jet.

The surprise development came barely a few hours after the return to France of Mr Jean-Louis Normandin and Mr Roger Auque, two French hostages who had been held in the Lebanon by The Revolutionary Justice Organisation, an underground group of Islamic fundamentalists.

The group said on Friday it had decided to release the two men in response to positive gestures by the Chirac Government.

France broke off diplomatic relations with Iran this summer when Tehran refused to let Mr Gordji be questioned by the French magistrate, claiming he was covered by diplomatic immunity. This led to the so-called "war of the embassies" between Paris and Tehran, with the French authorities blockading the Iranian embassy in Paris. Iran, in retaliation, did the same with the French embassy in Tehran.

The blockade of the embassies could now be lifted following Mr Gordji's agreement to appear before the Paris magistrate last night.

The magistrate wanted to question Mr Gordji as a key witness in his investigations of the terrorist bombings. Although officially only a translator, Mr Gordji was suspected to have had had links with the Islamic terrorists responsible for the Paris bombings.

The release of the two French hostages and Mr Gordji's appearance before the magistrate last night suggests that France and Iran have made considerable progress in negotiating a diplomatic solution to try to normalise relations between the two countries.

However, Mr Jacques Chirac, the French Prime Minister, denied a report in the French newspaper, Le Monde, that France had agreed to pay a ransom to the kidnappers of the two hostages.

# OECD funding threatened

BY IAN DAVIDSON IN PARIS

THE ORGANISATION for Economic Co-operation and Development, the industrial countries' leading economic policy institution, could run out of cash next month as a result of US budget difficulties.

Under procedures adopted by the Reagan Administration, US contributions to calendar-year budgets of international organisations are paid out of US budgets for the following fiscal year.

Since the US is committed to provide 25 per cent of the OECD's FFr900m ($160m) budget, this means that the organisation depends on the US for its income in October, November and December of each year.

One consequence of the prolonged budget-cutting arguments in Washington, however, is that the US does not have an agreed budget for the fiscal year 1988. Disbursements continue to be made under continuing resolutions of Congress, but US payments to the OECD are well in arrears.

The next payment is expected today or tomorrow, but this will still bring the US only up to about one-third of its total dues. The latest continuing resolution runs out in mid-December.

Since about 80 per cent of the OECD budget is for salaries, a continued US shortfall could jeopardise the December pay-checks of the 1,700 staff.

A spokesman in the Secretary-General's office said: "We have a cash flow problem. We hope the Americans will come through. I think the Secretary General will do everything necessary to meet commitments to the staff."

# SAS revises draft BCal offer

BY CLAY HARRIS IN LONDON

SCANDINAVIAN Airlines System is revising its draft partial offer for British Caledonian Group to underline its contention that the UK airline would remain British-controlled even if SAS took a 40 per cent stake.

The Scandinavian airline will tell Britain's Civil Aviation Authority that it plans to appoint only one non-executive director to the BCal board, which is expected to have nine or ten members. SAS originally wanted three representatives.

SAS has not yet formally launched a rival rescue plan for BCal, which faces a full bid from British Airways worth £153m ($275m) in shares or £119m in cash. However, its unofficial proposals value the unquoted company at more than £200m, closer to the price on which Sir Adam Thomson, BCal chairman, has insisted.

BCal's continued designation as a UK airline is a more critical issue than whether an SAS offer is referred to the Monopolies and Mergers Commission, as demanded last week by BA but opposed by BCal.

SAS and BCal are confident that the proposals raise no competition issues since the two airlines combined carry fewer than half as many passengers as BA.

Moreover, the Scandinavians are believed to be willing to wait out a monopolies inquiry, which should not be lengthy since it is less than a month since the Commission completed a study of BCal. This allowed BA to proceed with a bid after it secretly promised certain concessions.

A BCal stripped of its UK status, however, would hold no attraction for SAS.

Although SAS will consider reducing its target shareholding in BCal, it is unlikely to be willing to take less than 30 per cent.

# Haiti cancels presidential elections

Continued from Page 1

military of turning a blind eye to the increasing violence, allowing roving bands of Duvalier supporters to create an atmosphere of instability, which threatened the elections. In many cases, they claimed, members of the army also participated in the attacks.

The army recently refused to allow helicopters to take voting equipment and ballot papers to some rural areas, while denying protection to several thousand people who were forced to leave their homes in the capital to escape the violence.

"Many have been suggesting that a coup would take place just before or just after the elections here," said one diplomat in Port-au-Prince yesterday.

"By sitting back and allowing the violence to escalate, the army has allowed the situation to become untenable. This is, in fact, a coup by the army and a victory for the anarchists. Who will now dare to even start preparing for another election?"

The cancellation of the elections poses a problem for the US which had rejected frequent appeals to put pressure on the interim military Government to create an atmosphere of stability.

Diplomats said yesterday that Washington, which has been giving the military Government economic and military assistance, would now have to reconsider its attitude to developments in Haiti.

Mr George Shultz, US Secretary of State, yesterday blamed supporters of the ousted Duvalier dictatorship for the violence that forced the postponement of the elections.

## World Weather

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| Bangkok | [illegible] | [illegible] | [illegible] | Funchal | [illegible] | [illegible] | [illegible] | Miami | [illegible] | [illegible] | [illegible] | Seoul | [illegible] | [illegible] | [illegible] |
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| Biarritz | [illegible] | [illegible] | [illegible] | H. Kong | [illegible] | [illegible] | [illegible] | Naples | [illegible] | [illegible] | [illegible] | Tangier | [illegible] | [illegible] | [illegible] |
| Bombay | [illegible] | [illegible] | [illegible] | Innsbruck | [illegible] | [illegible] | [illegible] | Nassau | [illegible] | [illegible] | [illegible] | Tel Aviv | [illegible] | [illegible] | [illegible] |
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| Brussels | [illegible] | [illegible] | [illegible] | Islamabad | [illegible] | [illegible] | [illegible] | New York | [illegible] | [illegible] | [illegible] | Tokyo | [illegible] | [illegible] | [illegible] |
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| Cape Town | [illegible] | [illegible] | [illegible] | Jo'burg | [illegible] | [illegible] | [illegible] | Oslo | [illegible] | [illegible] | [illegible] | Venice | [illegible] | [illegible] | [illegible] |
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| Casablanca | [illegible] | [illegible] | [illegible] | Lisbon | [illegible] | [illegible] | [illegible] | Peking | [illegible] | [illegible] | [illegible] | Warsaw | [illegible] | [illegible] | [illegible] |
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| Cologne | [illegible] | [illegible] | [illegible] | Los Angeles | [illegible] | [illegible] | [illegible] | Reykjavik | [illegible] | [illegible] | [illegible] | Zurich | [illegible] | [illegible] | [illegible] |
| Copenhagen | [illegible] | [illegible] | [illegible] | Luxembourg | [illegible] | [illegible] | [illegible] | | | | | | | | |
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| Dallas | [illegible] | [illegible] | [illegible] | Majorca | [illegible] | [illegible] | [illegible] | | | | | | | | |
| Dublin | [illegible] | [illegible] | [illegible] | Malaga | [illegible] | [illegible] | [illegible] | | | | | | | | |

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Najibullah: Little success.

## Najibullah speech punctuated by rockets

MOSLEM GUERRILLAS penetrated a tight security ring around Kabul yesterday to rocket the Afghan capital as Soviet-backed leader Najibullah was condemning the rebels at a national assembly, Reuter reports from Kabul.

One of four rockets smashed into the grounds of Kabul Polytechnic, where a grand national assembly or Loya Jirgah was being held. The explosion shook the conference hall and drowned the words of Najibullah as he opened the meeting.

Afghan sources said two of the rockets hit waste ground about two kilometres from the polytechnic. The fourth was further away to the east. No one was hurt, the sources said.

The four blasts, at two-minute intervals, could be heard clearly inside the conference hall, causing delegates to shift uneasily in their seats but failing to break Najibullah's flow.

The diplomats said the missiles could have been fired from up to 10 kilometres away, possibly with pre-set timers to allow the guerrillas to withdraw undetected.

Immediately after the attack, Afghan security forces set up road blocks all over Kabul while Soviet armoured personnel carriers mounted with machine guns roared through the streets.

The Jirgah had been called to approve a new constitution and apparently to confirm Najibullah, in effective power for some 15 months, as head of state. He is also leader of the ruling People's Democratic Party (PDPA).

Foreign journalists, flown to Kabul from Moscow on Thursday to attend, heard the throb of aircraft engines and saw Soviet-built Antonov-26 aircraft overhead, apparently trying to locate the sites from where the rockets were fired.

Soviet troops were sent into Afghanistan in December 1979 as the Muslim rebels appeared close to overthrowing a left-wing regime then near collapse as a result of bloody infighting within the PDPA.

The insurgents have maintained their resistance against a force estimated in the West to total some 115,000 Soviet troops and in the past few months have apparently gained confidence after receiving supplies of Western and Chinese-made rockets.

Najibullah, who was in Moscow earlier this month and had talks with Kremlin leader Mr Mikhail Gorbachev, replaced former President and PDPA leader Mr Babrak Karmal, installed in power in the wake of the Soviet intervention, in May last year.

Mr Karmal is now effectively disgraced, apparently in part because he failed to prevent continued feuding between rival factions of the PDPA.

Diplomats in Kabul say Soviet troops, who Gorbachev has said he wants to withdraw if the West stops backing the insurgents, have increasingly taken over security duties in the capital from the Afghan Army in recent months.

Najibullah launched his reconciliation campaign in January this year. But diplomats in Kabul say it appears to have achieved little success in persuading the guerrillas to give up their struggle

## Dollar may hit new lows

Continued from Page 1

until the budget package is implemented.

The main reason for lack of confidence in the US currency has been the almost universal rejection of the deficit package by markets at home and abroad.

Congress today starts nailing down details of the two-year $76bn budget deficit reduction package negotiated with the White House.

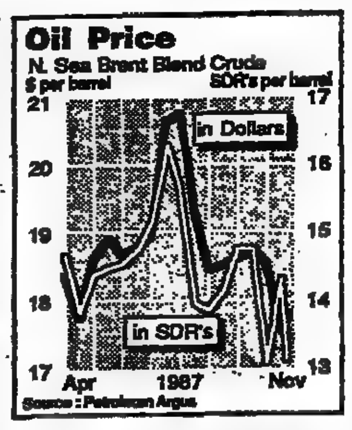
Most commentators expect Congress to reach agreement on a package which would avoid some $23bn of across-the-board cuts mandated by the Gramm-Rudman budget reform law.

The dollar's vulnerability is underscoring growing fears about upward pressure on US inflation following the Administration's emergency loosening of monetary policy in late October and intensified concern that foreign investors are again losing confidence in dollar-denominated securities. While the US Treasury bond market declined sharply last week, bond prices in West Germany and Britain performed quite well.

THE LEX COLUMN

# Tricky times for Opec

Students of Opec are familiar with the oil price dilemma, whereby each member of the cartel tries to improve its lot by cheating and everyone ends up worse off. For most of this year members have abandoned this self-defeating dishonesty in favour of joint action, and the dilemma has not arisen. But with the gruesome memory of sub $10 oil receding, and with the fall in the value of the dollar leaving even the strongest members needing more revenue, it could be making a comeback.




Unless Opec confronts some home truths at next week's meeting, it may find it has another oil price crisis on its hands. The agreement has proved amazingly robust since it was cobbled together under such duress a year ago, but is now in shreds. Members are over-producing by 2m b/d, official selling prices have been cast aside, and Iran, for one, is so keen to sell its oil that it is offering discounts of up to $2. Last week the ugly spectacle of Iran and Iraq viciously undercutting each other to win Japanese custom was proof of the extent of the problem.

The other side of the equation is looking equally precarious. Over production since the summer has meant that stocks are too high for the time of year, and running them down could mean a fall in demand early next year to 3m b/d less than present output. Longer term, the possibility of recession means that growth in oil demand of 1 per cent could be the most to be hoped for.

On price and production there is even less consensus among members than usual. The price rise to $20 that is being sought by about half the cartel to compensate for the fall in the dollar seems barely worth discussing, given Opec's apparent inability to defend the present level of $18. The setting of new quotas will not be achieved without a violent skirmish, especially as the uncharacteristic accord between Iran and Saudi Arabia - which formed the basis of the present agreement - is now lacking. Some members want the overall level to be maintained, others increased. Iraq demands parity with Iran if it is to be included in the quota, while most of the other members will be aiming at least to maintain recent production levels. The most likely outcome seems a week or so of high living and high tempers in Vienna followed by an "agreement" to roll over quotas and re-address the problem next year.

Faced with such an unpalatable outcome the market's relative calm over the last week seems odd. However, if oil traders know anything, they know that Opec's second largest export is in surprises, and anyone who sold oil before the last three Opec meetings must remember what an unwise strategy that turned out to be.

### Montedison

Untangling the boardroom manoeuvres of corporate Italy is like trying to pick up a soap opera plot half-way through the series. But assuming that Mr Raul Gardini, chairman of Ferruzzi, succeeds in ousting Mr Mario Schimberni from the chairmanship of Montedison, it will at least mean a reversion to familiar Dynasty themes. For good or ill, Mr Schimberni had become a symbolic champion of Italy's version of the Anglo-Saxon type of public company-owned by a wide spread of shareholders and managed by salaried professionals. His removal at the hands of the son-in-law of Ferruzzi's founder appears to signify an Italian reversion to type - the ascendancy of Mediobanca and the families. Were Fiat and Olivetti to enter the scene, the cast would be complete.

Montedison shareholders, who have suffered cruelly over the past year, might well benefit in the short term. The uncertainty that has hung over the senior management ever since Ferruzzi took effective control six months ago will be cleared up. Mr Gardini is also expected to move faster on the disposals (probably fibres and pharmaceuticals), which now seem inevitable if Montedison is to bring gearing back below 100 per cent. However, while Montedison's expensive acquisition programme may have been over-ambitious, particularly now that it can no longer tap the equity market, the Ferruzzi contingent on the board can hardly disclaim responsibility for all of it. Indeed, the sudden change of heart by Mr Gardini suggests that Ferruzzi's own near-100 per cent gearing combined with the harsher climate for equity issues might now make Montedison disposals advisable for Ferruzzi's sake. And now that it is nursing a $700m loss on its 40 per cent Montedison stake, Ferruzzi may have developed a less respectful attitude to Mr Schimberni's long-term strategy.

If the Ferruzzi stake were to rise above 50 per cent, all sorts of new financial possibilities would open up - not all of them to the advantage of Montedison minority shareholders. But a refocusing of Montedison on its chemical base would do no harm to earnings in the medium-term. The trouble is that such a shift now looks incompatible with a continuing role for Mr Schimberni himself, who has proved an excellent manager, and Mr Gardini is not noticeably surrounded by able lieutenants.

### Luxury cars

Among the biggest casualties of the world crash in equities have been Europe's car manufacturers. The shares of Porsche and Jaguar are trading at less than half their end-September level, and Volvo's share price fell by close to 40 per cent as US institutions, in particular, dumped their stock on the market. Fears about the impact on export earnings of a sharp fall in the dollar and the prospects of a slowdown in US economic growth have taken a heavy toll on luxury car makers' share prices.

Volvo, which relies on the US for 40 per cent of its car sales and even more of group profits, has cushioned itself in the short term by selling dollars forward, and its performance has been helped by very buoyant conditions in the world market for heavy trucks, where it is the second biggest producer. However, it is bracing itself for a downturn in the US car market, and 1988 earnings are expected to drop to perhaps SKr6.5bn from the average SKr 7.5bn over the last four years.

But Volvo is better placed than most of its rivals because it has no net debt and, with liquid resources of over SKr 21bn, should be able to increase its dividend by 10 per cent plus next January. Indeed, a prospective multiple of around seven times 1988 earnings is considerably below the comparable ratings of the West German car makers. Nevertheless, the prospect of a fall of perhaps a fifth in European car sales to the US in 1988 has cast a long shadow over even the most conservatively financed European manufacturers.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Monday November 30 1987



INTERNATIONAL BONDS

# Divergent views on rule changes in the Swiss bond market

RESTRICTIVE or liberalising? Diametrically opposed views emerged on Friday from bankers in Switzerland after the announcement of changes in the rules affecting the foreign bond market's main syndicate.

The announcement had been awaited with considerable excitement in Swiss banking quarters. It had been known for some time that Credit Suisse had been pressing the other two main Swiss banks - Union Bank of Switzerland and Swiss Bank Corporation - for more flexibility in the syndicate rules.

The prime mover, bankers suggested, was Mr Hans-Joerg Rudloff, deputy chairman of Credit Suisse First Boston and doyen of the Euromarkets, who became a general manager of Credit Suisse in Zurich early this year. He had been thought to have run into heavy opposition from the other two, particularly Union Bank of Switzerland.

As it turned out, Thursday's changes were so ambiguous in implication that they gave rise both to protests that the so-called Big Three were conspiring to squeeze all their competitors out of the market, and also to expressions of glee that they were having to admit how far their position had been weakened.

The main changes, effective from January are:

- More banks will be allowed to join the big syndicate.
- Any member bank will be allowed to lead manage an issue within the syndicate, subject to the restriction that none of the Big Three has already led an issue for the borrower.
- Any member bank will be allowed to turn down a co-management position in an issue whose pricing it disagrees with.
- Banks will have more flexibility over the "reallowance", the portion of the commissions on a bond they are allowed to pass on to professional investors. This, indirectly, gives them freedom to participate in the grey market.

A key crucial omission from the list of relaxations is the prohibition on members from participating in any deals led by outsiders - a point seized upon by the bankers on Friday who saw the changes as a disguised means of enhancing the cartel-like character of the main syndicate.

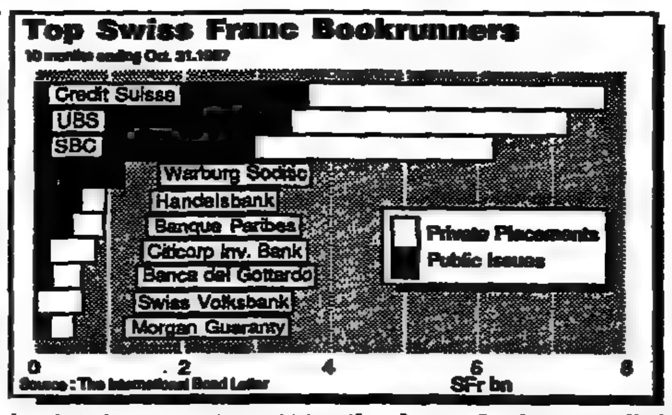
Mr Maurice Dwek, chairman of Warburg Soditic, one of the most active lead-managers of Swiss-franc foreign bonds outside the main syndicate, said: "This is not a relaxation, this is a retrograde step."

Bankers such as Mr Dwek saw the measures as primarily aimed at luring banks to throw in their lot with the Big Three, thus undermining the position of their main rivals.

A number of bankers said they believed banks outside the main syndicates had been asked if they would like to defect to the Big Three.

So - taken to the logical extension - banks such as Handelsbank, the leader of the second largest syndicate, and also houses such as Citicorp and Soditic that operate with ad hoc teams of underwriters, might find they were unable to put together an underwriting group.

The new members would be offered the sweetener that they would *not* have to join a bond issue they did not like. But this was likely to be an empty promise since in practice it would be impossible for them repeatedly to turn down deals.




A further question was whether the foreign banks who are active as lead-managers might themselves be asked to join the big syndicate. The communique was, perhaps deliberately, ambiguous on whether it embraced the foreign banks. However, one banker said on Friday: "I have heard that some of the large, foreign-controlled banks have been unofficially sounded out about whether they wish to join."

However, it seemed unlikely that they would choose to do so - and deprive themselves of the opportunity of getting mandates from borrowers who had already issued through the Big Three - unless it became practically impossible to put together their own syndicate group.

The foreign bank that seemed most likely to be approached by the main syndicate was Deutsche Bank, since its Swiss subsidiary won in August the right to lead-manage an issue for its parent company in which permanent members of the big syndicate participated. An executive at Deutsche Bank (Suisse) was unable to comment on Friday.

At the other end of spectrum of Friday's reactions, Mr Brian Woolley, of Citicorp Investment Bank in Zurich, saw the changes more as a reluctant acceptance by the Big Three of the inexorable forces of competition at work on the Swiss market.

Mr Woolley focused on the liberalisation that allowed banks to opt *out* of issues they did not like. This, he said, would inevitably weaken the Big Three's negotiating position with borrowers - a major plank of which has been their *near-infallible* placing power.

To many, this change looked strongly like an acknowledgement of the breaking of ranks among the big three. Credit Suisse, for instance, has already turned down a number of Union Bank of Switzerland's deals this year, on the grounds they were too aggressively priced.

As further evidence of the weakening of the cartel, one banker said that some of the key syndicate members were, unofficially, buying bonds lead-managed by other syndicate groups.

Mr Woolley, and a number of other bankers, suggested that only a few smaller banks were likely to apply to join the big syndicate. These would probably be banks with large managed portfolios which wanted a regular supply of primary paper, but had no ambitions as lead-managers.

The relaxation of the reallowance rules was seen by some as an admission by the big banks that they could no longer get away with selling paper to their clients at unrealistic prices. This is because clients are now aware that lower prices are frequently quoted in the screen-based grey market trading, introduced a couple of years ago by Citicorp and Chemical Bank.

**Clare Pearson**

# Banesto head quits over bank bid talks

BY DAVID WHITE IN MADRID

**BANCO DE Bilbao postponed its decision on a public bid for control of Banco Espanol de Credito (Banesto) at the weekend after the resignation of the latter's vice-chairman and chief executive, Mr Jose Maria Lopez de Letona.**

**Further talks were being held in an effort to reach an agreed plan for linking the two groups. Banco de Bilbao, which ranks just behind Banesto in terms of assets, had been preparing to announce a hostile bid on Saturday at the end of a week of unsuccessful negotiations.**

**Mr Lopez de Letona, who was less than two weeks away from taking over as Banesto chairman, had insisted on equality between the two banks in the new financial group.**

**Mr Mario Conde, a recent arrival on the Banesto board, who is believed to be more amenable to a friendly solution, was immediately named vice-chairman.**

**Mr Lopez de Letona, a former Industry Minister and Bank of Spain governor, was brought into Banesto last year and took decisive steps to repair weaknesses in the group and launch a new image for the highly conservative number two Spanish bank.**

EUROMARKET TURNOVER ($m)

Primary Market

| | Straights | Conv | FRN | Other |
|---|---|---|---|---|
| US$ | 0.0 | 0.0 | 274.0 | 3,174.8 |
| Prev | 1.3 | 0.8 | 35.0 | 5,214.6 |
| Other | 666.0 | 63.1 | 1,999.2 | 309.1 |
| Prev | 2,960.4 | 1.9 | 1,747.6 | 703.6 |

Secondary Market

| | Straights | Conv | FRN | Other |
|---|---|---|---|---|
| US$ | 15,435.6 | 1,592.2 | 10,911.8 | 3,142.4 |
| Prev | 21,215.0 | 1,646.4 | 8,736.8 | 6,498.3 |
| Other | 23,267.4 | 881.1 | 3,833.5 | 20,648.9 |
| Prev | 23,013.3 | 1,133.8 | 5,301.8 | 23,086.9 |

| | Cedel | Euroclear | Total |
|---|---|---|---|
| US$ | 11,903.4 | 26,186.2 | 38,089.6 |
| Prev | 12,183.0 | 31,163.2 | 43,346.2 |
| Other | 22,163.5 | 28,984.8 | 51,148.3 |
| Prev | 22,273.1 | 35,676.0 | 57,949.1 |

Week to November 26, 1987 Source: AIBD

EUROCOMMERCIAL PAPER AND CREDITS

# Flight to quality accentuates formation of two-tier market in names

THE COLLAPSE of share prices last month has left few of the world's financial markets untouched. In the Eurocommercial paper market, it appears to have accentuated the market's segregation.

There are, in fact, almost two markets: that in the paper of top-rated sovereign credits and that in notes issued by lesser corporate and bank names.

The central banks' attempts to prop up the US currency over the past month have left them seeking homes for dollar liquidity. Following the dive in US Treasury bill rates, yields on ECP - still pegged off interest rates in the interbank market - have looked very attractive to them.

Central banks *only* invest in top-rated sovereign names, such as that issued by French government agencies or Sweden. The move to high-quality paper pushed rates down to as much as 35 basis points below Libid, although this margin has narrowed to 20 basis points or so more recently.

At the same time, central bank requirements for liquidity have meant they place a premium on being able to trade the paper. So, a secondary market which has been moribund since the last bout of dollar weakness earlier in the year has come to life in the last month.

Meanwhile, at the other end of the market, the share price drop has meant investors have become more wary about where they place their funds.

Buyers of low-rated or unrated ECP are, therefore, more than ever banks, which are looking to pick up yield over Libor and have their own credit assessment capabilities. This is a placement and hold-to-maturity market - much as is the US domestic commercial paper market - where there is very little secondary market activity.

This trend and the fact that there are now over 500 issuers will surely increase the importance of ratings, even for those companies with a good name recognition among investors.

At the one end, the top-rated issuers are winning finer terms in a market that is actively traded; at the other, lesser names issue paper which is increasingly held to maturity by a sector of investors which requires a yield pick-up of Libor.

**Nomura International** arranged two ECP programmes for Japanese names: one for two related borrowers - **Yamaha Motors International Finance** and **Yamaha Motors Europe**, with a Dai-Ichi Kangyo Bank guarantee. Either can issue up to $200m as long as their combined borrowing does not exceed $200m.

**Marubeni International Finance** has put in place a new $200m programme, guaranteed by its parent, which will run side-by-side with an existing bank-guaranteed programme.

Swiss Bank Corporation International arranged a $300m ECP programme for the Gibraltar branch of **Banco Hispano Americano**, the third largest bank in Spain, while Warburg has arranged a $250m programme for **Tarmac**.

French companies continue their hyper-activity in the international loans market: the latest is the food group, **BSN**. Credit Lyonnais is leading the group, which also comprises Banque Nationale de Paris, Banque Paribas and Societe Generale. It has a five-year maturity, extendible to seven.

Chase Investment Bank disclosed terms for the $450m deal it has underwritten for **Saatchi and Saatchi**, the British advertising agency. It is a five-year transaction, with two tender panels. It carries a facility fee of 6.25 basis points, an interest spread over Libor of 10 basis points, and a utilisation fee if more than half drawn of 2.5 basis points.

Manufacturers Hanover was mandated to arrange a £100m multi-option facility for **Lep Group**, a UK freight forwarding company. The five-year financing, £75m of which will be committed, carries a facility fee of 12.5 basis points, a margin on drawings of 20 basis points and a utilisation fee if more than half drawn of 5 basis points.

A three-bank group was mandated for a $150m refinancing loan for **Electricidade de Portugal**. The eight-year credit carries a margin of 15 basis points, in line with the utility's most recent borrowings, and is being put together by Credit Lyonnais, National Westminster Bank, and Caixa Geral de Depositos.

The $200m floating-rate note facility being arranged for **Imasco**, the Canadian consumer products and services company, by Morgan Guaranty, was not so much a sign of uncertain times in the international capital markets, as we reported last week, as a way of avoiding Canadian withholding tax.

Similar to earlier deals for **Molson**, the brewers, and **Consolidated Bathurst**, the company issues floating-rate notes with a maturity of five years or more - allowing it to avoid withholding tax. There is, though, an option which allows the investor to put the notes back to the banks on every interest payment date. This gives the paper, from the investors' point of view, an uncanny resemblance to Euronotes.

**Stephen Fidler**

# INTERNATIONAL CAPITAL MARKETS & COMPANIES

**David Owen** reviews a Toronto dealer's troubled courtships and broken engagements

## Wood Gundy still waiting at the altar

IF the remarks made by First Chicago president, Mr Richard Thomas, following a Windy City press conference this week prove well-founded, it will not be long before Wood Gundy, the bluest of Toronto's blue chip investment dealers, finds out whether or not it has again been left at the altar by a prospective partner.

If the five-month old engagement is consummated, it seems certain that First Chicago will pay considerably less for its 35 per cent stake than the C$270m (US$207m) originally envisaged. "We are trying to see if a revised transaction is in our interest," were Mr Thomas's words last week.

The well-documented stock market crash of October 19–20 has obviously taken the wind out of every investment dealer's sails, whether on Bay Street or elsewhere. What has singled Gundy out for special attention is a series of additional misfortunes which appear to have left the firm all but becalmed.

First, about 35 employees, including Mr Tim Miller, manager of the successful 42nd Street retail brokerage branch, left Gundy *en masse* to join Walwyn – a rival Toronto investment dealer being groomed for stardom by Mr Gerald Pencer, Financial Trustco chief executive. Mr Pencer, who recently moved Financial Trustco to Toronto from Calgary, completed a surprise C$35m takeover of Walwyn in June.

Those departing initially described Gundy's reaction to the defection as gentlemanly. But the atmosphere turned sour when Gundy filed a C$355m lawsuit against Walwyn, associated companies and several former employees for alleged conspiracy and wrongful interference with the firm's economic interests.

In a recent statement of defence, four ex-Gundy officials said that they made the switch because they were denied the opportunity of purchasing a significant number of shares in the company and because the firm's "lack of leadership" was undermining financial performance.

Second, Gundy was hit hard by the recent BP privatisation issue, whose Canadian tranche it lead-managed with participation by McLeod Young Weir and Dominion Securities. While the firm was quick to announce that the wealthy Bronfman family, in the guise of the Great Lakes Group financial services company, had agreed to sub-underwrite the deal by essentially lending Gundy the money to pay for the 52.5m shares which it committed to take, estimates of its associated capital losses, for which Gundy remains responsible, run as high as C$55m.

In fact, subsequent sales of part-paid BP shares at levels well above the 70p Bank of England floor price mean that eventual losses will be substantially lower. "There have been extensive sales in the market-place at prices up to 88p," according to Mr Edward King, Gundy vice chairman. "Wood Gundy has not sold anything to the Bank of England."

If the First Chicago deal does not go ahead as contemplated, it will be the third time in 18 months that discussions involving Gundy's future ownership have fallen through.

Royal Bank of Canada, the country's largest chartered bank, became involved in lengthy talks with Gundy earlier this year, only to withdraw days before the first stage of Canada's financial services deregulation cleared the way for banks to enter the securities business on June 30. The Royal is now said to be close to striking a deal with Dominion Securities.

A year earlier, Gundy had appeared all set to merge with Gordon Capital, the brash, aggressive dealer spearheaded by Mr Jimmy Connacher, a former Gundy employee, only for the deal to founder at the eleventh hour for reasons which remain obscure.

With a large capital base of increasingly crucial importance in the newly deregulated market place, it is generally accepted that Gundy, whose current regulatory capital is said to stand "in excess of C$200m," would have to be prompt about finding a replacement for First Chicago if a revised deal could not be worked out.

Perhaps surprisingly, few believe that the firm would have problems locating a new suitor – even though the terms it may be obliged to accept might not be to its liking. Since doubts surrounding the First Chicago deal began to surface, Gundy has received no shortage of telephone calls to inquire if the firm is back "in play," Mr King said.

Among the most prevalent Bay Street rumours as to what a First Chicago rethink might precipitate are suggestions of tie-ups with either the Bronfmans, Gundy's BP benefactors, or Royal Bank, if the Dominion negotiations fall through, or even Gordon Investment, the joint venture merchant bank to be formed by Gordon Capital and Canadian Imperial Bank of Commerce.

Gundy, for its part, remains optimistic that matters with First Chicago can somehow be resolved. "We are still working towards trying to conclude the right deal for all parties," said Mr King.

## Murdoch poised to buy more Fairfax assets

BY CHRIS SHERWELL IN SYDNEY

MR RUPERT Murdoch's News Corporation is expected to increase its dominance of the Australian print media if a proposal to acquire further assets from rival group John Fairfax goes through.

The assets under consideration are the Fairfax group's stakes in Australian Associated Press (AAP), the domestic news wire service, and in Australian Newsprint Mills.

Weekend reports said Mr Warwick Fairfax's Tryart group, which has just gained control of John Fairfax, is to sell the two stakes to Mr Murdoch for some A$275m

The reports, published by Fairfax group newspapers, also said that the plan would meet opposition from the Trade Practices Commission, the Government's anti-trust agency, if it is deemed to entail dominance of the market for wire service news and newsprint supply.

Transfer of the stakes would give News an estimated 80 per cent holding in AAP and more than 90 per cent of Australian Newsprint Mills. It is assumed any deal would also include guaranteed supply for Fairfax and other news groups.

The proposed sales are the result of Mr Fairfax's need to reduce his borrowings. Under his original scheme to take John Fairfax private, he planned to raise some A$275m by floating David Syme Holdings. The move was called off after the collapse of the share market last month.

Mr Robert Holmes à Court, the Perth entrepreneur, is shortly due to take over ownership of the Australian Financial Review and other Fairfax assets under Mr Fairfax's original deal.

### NEW INTERNATIONAL BOND ISSUES

| Borrowers | Amount m. | Maturity | Av. life years | Coupon % | Price | Book runner | Offer yield % |
|---|---|---|---|---|---|---|---|
| **US DOLLARS** | | | | | | | |
| B.Nacion Argentina (a)‡♦ | 195 | 1994/97 | 7/10 | ¾ | 100 | IBJ Int. | - |
| Flash 4 (d)‡♦ | 30 | 1992 | 5 | 20bp | 100.10 | Sanwa Int. | - |
| Finland♦ | 100 | 1992 | 5 | 9⅛ | 101¼ | IBJ Int. | 8.805 |
| **D-MARKS** | | | | | | | |
| Council of Europe ‡♦ | 250 | 1996 | 8 | (c) | 100 | Trinkaus & Burkhardt | - |
| Asian Dev. Bank♦ | 200 | 1994 | 7 | 6 | 100¼ | Deutsche Bank | 5.955 |
| East Asiatic♦ | 150 | 1992 | 5 | 5⅞ | 100 | Commerzbank | 5.875 |
| Eurofima★★♦ | 50 | 1993 | 5.92 | 5⅝ | 100 | BHF-Bank | 5.625 |
| **SWISS FRANCS** | | | | | | | |
| EDF♦ | 150 | 1994 | - | 4¾ | 101 | UBS | 4.580 |
| Office Gen.Cr.N'caise★★♦ | 41 | 1992 | - | 4½ | 99⅞ | Bqe Paribas(Suisse) | 4.529 |
| Prudential Finance♦ | 200 | 1998 | - | 4¾ | 100 | Warburg Soditic | 4.750 |
| Province of Alberta♦ | 400 | 1997 | - | 5 | 100¾ | UBS | 4.903 |
| Mitsubishi Min.& Cem.♦ | 70 | 1992 | - | 4⅝ | 100 | Credit Suisse | 4.625 |
| Palace Hotel (Tokyo)★★♦ | 12 | 1992 | - | 5¼ | 100¼ | Fuji Bank (Schweiz) | 5.192 |
| Denmark★★♦ | 150 | 1994 | - | 4¾ | 101 | Credit Suisse | 4.580 |
| Outokumpu Oy★★♦ | 40 | 1992 | - | 4¼ | 100 | Swiss Volksbank | 4.250 |
| **ECUs** | | | | | | | |
| IMI Bank Int. | 100 | 1991 | 3 | 8 | 101⅜ | Credit Lyonnais | 7.472 |
| **STERLING** | | | | | | | |
| Ranks Hovis McDougall§♦ | 59 | 2003 | 15 | 4¾ | 100 | Morgan Grenfell | 4.750 |
| Citibank Trust Ltd.★★‡♦ | 60 | 2011 | 7-8 | (g) | 100 | Citicorp Inv. Bank | - |
| **LIRE** | | | | | | | |
| EIB (b)‡♦ | 200bn | 1995 | 8 | 12½bp | 100 | San Paolo Bank | - |
| **GUILDERS** | | | | | | | |
| EIB♦ | 200 | 2002 | 8 | 6½ | 99 | Amro Bank | 6.607 |
| **LUXEMBOURG FRANCS** | | | | | | | |
| Skand.Enskilda B'ken★★♦ | 300 | 1992 | 5 | 7⅝ | 100¼ | BGL | 7.563 |
| Finland★★♦ | 300 | 1992 | 5 | 7⅜ | 100 | Credit Europeen | 7.375 |
| Finland★★ (f)♦ | 300 | 1992 | 5 | 7⅜ | 100 | BIL | 7.375 |
| **YEN** | | | | | | | |
| OKB♦ | 30bn | 1997 | 10 | 5.9 | 100 | Nomura Secs. | 5.987 |
| Council of Europe(e)‡♦ | 10bn | 1994 | 7 | -55bp | 100.20 | LTCB Int. | - |
| Belgium♦ | 55bn | 1992 | 5 | 5⅝ | 102⅜ | Nikko Secs (Europe) | 4.829 |

★Not yet priced. ♦Final terms. ★★Private placement. ‡Floating rate note. (a)¾ over 6m Libor. (b)[illegible] over 6m Libor. (c)[illegible] Libor flat. Convertible into [illegible] bond at [illegible] in Jan. and July 1990 and Jan. 1992. (d)20bp over 6m Libor. (e)55bp under Japanese long-term prime rate. (f)Fungible with previous issue. (g)[illegible] over 3m Libor [illegible] thereafter. Note: Yields are calculated on AIBD basis.

## Porsche maps out cuts in production

By Andrew Fisher in Frankfurt

PORSCHE, the West German luxury sports car manufacturer whose sales have been hit by the collapse of the US stock market, yesterday said its workforce would be on short-time for 47 days between next January and July.

Because of the sharp drop in US sales, which account for some 60 per cent of its total turnover, Porsche announced two weeks ago that it was cutting production and putting its workforce on short-time.

Sales were down by 30 per cent in the US in October as a result of the price collapse on Wall Street. The company said yesterday that around 4,300 workers would be affected at its Zuffenhausen plant at the edge of Stuttgart.

The company is also extending its Christmas holiday to January 8, 1988, which will take up four more working days. Porsche intends to cut its output through the short-time working by 4,900 cars at Zuffenhausen. The production cuts will also affect the Neckarsulm plant of Audi, the Volkswagen subsidiary, which also makes models for Porsche.

## Peking bank to widen foreign services

BY DAVID DODWELL IN PEKING

CITIC Industrial Bank, just set up by China International Trust and Investment Corporation (Citic), the Peking-backed financial services group, is to collaborate with the related Ka Wah Bank in Hong Kong to provide a rare bridge for foreign investors and trading partners to channel funds into and out of China.

The group is also investigating the establishment of a broking subsidiary in response to the increasingly widespread use of bonds for fund raising by both the Chinese government and mainland enterprises. Such a broking operation - which does not yet exist in China - would probably be launched with assistance from a foreign partner.

Citic has over the past five years established a reputation for being an innovator in China's still-underdeveloped financial services industry, and is inevitably at the forefront of those mainland institutions that are trying to capitalise on the recent reforms in finance and banking.

Citic Industrial Bank has in recent weeks been given clearance to set up retail banking operations throughout the country. Initial outlets will be in the main industrial cities.

Mr Xu Zhaolong, vice-chairman of the group, said the industrial bank and Ka Wah Bank will be sister banks. "They will collaborate with each other. If transactions are more suitably handled in China, they will be given to the industrial bank, and if they are best handled in Hong Kong, then Ka Wah will do them".

No foreign bank has access to China's domestic retail banking market. Similarly, only one of the 13 Peking-controlled "sister" banks in Hong Kong has any retail presence on the Chinese mainland. This is Bank of Communications, which has just re-established a retail headquarters in Shanghai.

On future broking operations, Mr Xu said: "Very soon there will be a secondary bond market in China and by then there should be some brokers operating. Many security companies both in Hong Kong and Japan have offered to give help in this direction."

## Setback for Japanese power groups

BY CARLA RAPOPORT IN TOKYO

JAPAN'S electric power industry showed a marked decline in profits for the six months to September compared with the record results achieved in the previous year.

The power companies scored unprecedented profit advances last year as a result of the yen's appreciation and the drop in energy prices. Since that time, however, the electricity industry has cut its rates in order to pass on its windfall benefits to consumers.

As a result, the industry, covering Japan's nine leading electric power companies, showed a combined drop of 26.5 per cent at the pre-tax level for the six months to Y456bn. This figure was still the third largest on record for the six-month period.

The industry showed a slight decline in sales of 0.5 per cent to Y5,909bn ($44bn). The fall was slightly less than forecast thanks to increased power demand from the industry which has shown a faster than expected recovery.

The industry said it expects further declines in profits in the full year as it plans more rate cuts. The nine power companies said they had disbursed more than 90 per cent of their windfall profits in the six months just ended.

Tokyo Electric Power, the largest, showed a 36.2 per cent decline in pre-tax profits at the interim stage to Y138bn on sales up 1.2 per cent to Y2,000bn. For the full year, it forecasts pre-tax profits of about Y280bn on sales of Y3,880bn.

The industry also revised downward its long-term projections of power demand, in view of Japan's continued shift from capital intensive industry to higher-technology and service industries and increased offshore production. As a result of this revision, the industry has asked for government approval to postpone the building of six large power plants originally scheduled for construction between 1990 and 1995.

# INTERNATIONAL CAPITAL MARKETS

## Havas sees 20% gain next year

By Our Financial Staff

AGENCE HAVAS, the French advertising agency which was privatised earlier this year, expects profits for 1988 to rise by around 20 per cent following an upgrading of earnings forecasts for the current year.

Pierre Dauzier, the Havas chairman, said group net attributable profit, excluding extraordinary items, for 1987 would rise to between FFr350m and FFr360m ($10.4m). Earlier estimates suggested 1987 profits of around FFr315m.

He told a shareholders' meeting that attributable earnings for the year would be between FFr530m and FFr540m, including an extraordinary profit of FFr180m. This put 1987 earnings per share at around FFr42, compared with FFr34 in 1986

Mr Dauzier said his forecast of 20 per cent profits growth next year took account of an expected advertising slowdown in the second half of 1988.

He also said Havas might make a free issue of shares.He gave no details but said it would not call on shareholders to raise cash. "At present we have FFr520m in risk-free investments at our disposal, in addition to a five-year multi-option facility of FFr1.5bn, he added.

This level of liquidity would allow Havas to take advantage of favourable opportunities, he said.

US MONEY AND CREDIT

## Budget deficit deal the focus of mistrust

THE MANY bond traders and institutional fund managers who took the opportunity of Thanksgiving celebrations to go home and put their troubles on the shelf for a long weekend may find a shock when they return to their screens today.

The Treasury's benchmark 30-year bond issue closed last Friday with a yield of just under 9.14 per cent, the highest close since October 21, two days after Black Monday.

The key to last week's steadily rising yields was the weakness of the dollar which slumped to record low for the New York close on Monday against the D-Mark and the yen. Foreign exchange dealers have always been sceptical types and there has been a great deal to be sceptical about.

The focus of most mistrust continues to be the deal on cutting the US budget deficit. With many forecasts looking for a deficit next year of perhaps $170bn, the package of half-hearted and illusory cuts looks a paltry contribution to the cause of correcting global imbalances. The foreign exchange market knows that as well as the alumni at the Bundesbank and Congress itself.

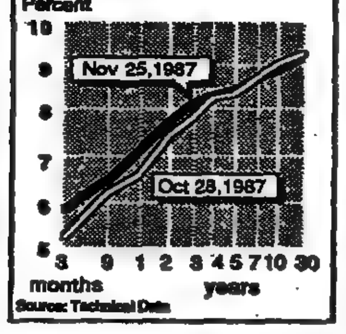
The foreign exchange market also had the most jaded (and most probably accurate) view of last week's modest reductions in key interest rates in West Germany. It is unlikely that the Bundesbank's decision to edge its repurchase rate lower, taken on the day before the budget package was announced, had very much to do with wanting to give President Reagan the thumbs-up.

It had an awful lot to do with strains within the European Monetary System due to the dollar's weakness and deep concern about German growth prospects. It will be these factors which will lie behind any cut in the German discount rate.

A lot has changed since the days of crisis management which saw the US Federal Reserve Board flooding the banking system with money and international monetary officials falling over backwards to look helpful in public.

**US Treasury yields**

Percent




Source: Technical Data

Now that the stock market, more than any other, seems to have settled down a bit, fire fighting (as one European monetary official described policy-making during the crisis) has given way to taking stock of the damage.

One measure of the calm which has descended has been the willingness of European monetary officials to speak their minds and it hasn't been happy listening for those with hopes of a marvellous new era of international cooperation after the crash.

Mr Leonhard Gleske, a prominent and highly respected member of the Bundesbank's policy-making council deeply involved with the Group of Seven, last Friday came near to expressing contempt for the notion of currency target ranges. Earlier in the week, Mr Nigel Lawson, the Chancellor of the Exchequer, risked the indignance of US policy-makers by suggesting they should be prepared to raise US interest rates to defend the dollar.

Emphasis within the US has shifted markedly from concern about a recession to worry there WON'T be a recession. Central to thinking in the bond market is fear that the abandonment of monetary rectitude so necessary to restore calm to financial markets, if not reversed for a prolonged period, will lead to upward pressure on inflation.

This has to be a live issue at the Fed which has been providing the banking system with adequate but not generous supplies of cash. It appears to be targeting Fed Funds at 6¾ per cent.

Until more data is available which will give some idea of how the economy and the consumer has reacted to the crash, inflationary fears may be premature. A report from US purchasing managers is released today which should provide some tentative evidence of consumer behaviour in November and will, for that reason, be closely watched.

The weakness of the dollar is a major concern for those worried about higher inflation. Any further boost to demand could start to exert upward pressure on products in industries which are already experiencing capacity constraints.

Another is the behaviour of commodity prices. Futures prices for gold and silver surged to five-week highs on Friday while the Commodity Research Bureau's index of commodity prices now stands at a two-and-a-half year high.

These concerns are summed up neatly by the bi-weekly publication, Grant's Interest Rate Observer: "When commodity prices rally, when the dollar continues to lose ground against other currencies, when business activity continues to furnish surprises on the upside, when gold threatens a new high and when a united front of economists speaks with one voice on the receding threat of price inflation - in the face of such evidence, a bond holder may fidget."

Economic statistics to be released this week include:

● Monday - mid-November agricultural prices which are generally expected to be unchanged and the report from purchasing managers.

● Tuesday - leading indicators for October. Expected to have moved slightly lower with the consensus forecast at -0.1 per cent. Construction spending for October - consensus forecast is for a drop of 0.5 per cent although several economists are expecting double this decline.

● Wednesday - new home sales expected to total 630,000 to 640,000 in October, down from 656,000 in September.

● Thursday - factory orders are generally expected to little changed in October. Estimates for new car sales in November vary from around 8.8m to about 9.3m.

● Friday - November's unemployment data. The consensus forecast for the unemployment rate is 5.9 per cent, unchanged from October, while the non-farm payroll is expected to have grown by 150,000 or less compared with a preliminary estimate of a 549,000 increase in October.

**Janet Bush**

**US MONEY MARKET RATES (%)**

| | Last Friday | 1 week ago | 4 wks ago | 12-month High | 12-month Low |
|---|---|---|---|---|---|
| Fed Funds (weekly average) | 6.69 | 6.69 | 6.85 | 11.36 | 5.86 |
| Three-month Treasury bills | 5.63 | 5.72 | 5.56 | 7.17 | 5.03 |
| Six-month Treasury bills | 6.38 | 6.25 | 5.92 | 7.45 | 5.23 |
| Three-month prime CDs | 7.45 | 7.15 | 7.37 | 8.25 | 5.67 |
| 30-day Commercial Paper | 6.75 | 6.48 | 6.86 | 7.70 | 5.48 |
| 90-day Commercial Paper | 7.30 | 6.76 | 7.23 | 8.05 | 5.57 |

**US BOND PRICES AND YIELDS (%)**

| | Last Fri. | Change on wk | Yield | 1 week ago | 4 wk. ago |
|---|---|---|---|---|---|
| Seven-year Treasury | [illegible] | [illegible] | [illegible] | [illegible] | NA |
| 20-year Treasury | [illegible] | — | [illegible] | NA | NA |
| 30-year Treasury | [illegible] | [illegible] | 9.14 | [illegible] | [illegible] |
| New 10-year A Financial | NA | NA | NA | 9.67 | NA |
| New AA Long utility | NA | NA | NA | 10.12 | NA |
| New AA Long industrial | NA | NA | NA | 10.05 | NA |

Source: Salomon Bros (estimates).

Money supply: In the week ended November 16 M1 fell by [illegible] to [illegible].

**NIKKO TOKYO BOND INDEX**

| | 30/11/87 | Average yield (%) | Last week | 12 wks ago | 26 wks ago |
|---|---|---|---|---|---|
| Overall | 137.91 | 4.80 | 137.46 | 135.47 | 142.26 |
| Government Bonds | 138.95 | 4.48 | 138.59 | 136.82 | 144.09 |
| Municipal Bonds | 138.32 | 5.42 | 137.74 | 135.10 | 140.31 |
| Govt.-guaranteed Bonds | 139.20 | 5.40 | 138.56 | 135.89 | 141.16 |
| Bank Debentures | 133.46 | 4.63 | 133.29 | 132.56 | 135.12 |
| Corporate Bonds | 136.41 | 5.50 | 135.80 | 133.41 | 137.97 |
| Yen-denom. Foreign Bonds | 130.52 | 5.44 | 130.34 | 128.49 | 130.32 |
| Government 10-year† | — | 5.32 | 5.23 | 5.06 | 4.67 |

† Estimated par yield

Source: Nomura Research Institute

UK GILTS

## Institutions switch back to cash

THERE ARE signs that an incipient re-evaluation of domestic economic policy may be underway and the rise in yields on long-dated gilts last week could be pointing to this.

There are indications too that the switch in institutional investment towards gilts may be running out of steam. The initial move by institutions into gilts was a function of the "flight to quality" phenomenon; what is happening now may well be, at worst, the second leg of the post-equity market slump reaction, a "flight to liquidity", or at best an end-year run-up in cash balances.

The interaction of a reassessment of policy and a 'go for cash' strategy by institutions could well set the tone of the market in the short term.

What is happening now may just turn out to be the trough of an increasingly volatile expectations cycle - witness interest rate expectations over the past six weeks, attitudes toward the Chancellor's 4½ per cent inflation forecast and the change from predictions of recession to a belief that growth will remain bouyant - but there are reasons for thinking that it is not.

From the market's point of view monetary policy is fairly finely balanced. Pragmatism dictated the two-stage reduction in base rates by 1 percentage point. While necessary at the time to bolster liquidity, a lack of explicit guidelines or targets for policy is leading some to question the Government's anti-inflation credentials.

Domestic economic data and business surveys indicate that the economy is likely to keep growing strongly into the first half of 1988 at least.

This does not appear to be an environment in which a cut in interest rates would be sustainable, but it does seem to be one which argues for keeping them where they are.

To the more orthodox monetarists in the market what is needed are rises in interest rates and a higher exchange rate to squeeze inflation from the system. To them, sterling M3 growth of more than 22 per cent is a pointer of worse inflation to come.

The Treasury's own forecast of inflation in Q4 of 1988 of 4.5 per cent in the Autumn Statement assumed a revalorisation of exise duties and this was responsible for more than 0.25 percentage points on the forecast. Increases in public utility prices will also effect inflation on a one-off basis.

It believes the the policy setting is anti-inflationary in the context of slower growth next year. But given that the outlook has been clouded by the fall in equity prices a final official judgement awaits data which says something about the way the real economy reacted to the crash.

● Michael Lenhoff and Sofia Skalistiri of Capel-Cure Myers have stuck their heads above the parapet and estimated institutional behaviour during and after the October fall in equity prices. One of their tables is reproduced below.

The percentages relate to the *value* of assets, so drawing conclusions is difficult, but the trend seems suggestive of what a lot of people in the market are saying, viz. the institutions are rebuilding their gilt and cash levels.

How important this is for gilts depends on the way the balance tilts between cash and bonds.

If we are witnessing a trend in favour of cash and it is not part of the end-of-year window dressing of portfolios, then the implications are at least two-fold. A steepening of the yield curve as retail interest predominates at the short end; and a lean time ahead for market makers. As turnover moderates, it seems likely that the strong or very agile will be the likliest to survive.

**Simon Holberton**

**ASSET ALLOCATION OF UK INSTITUTIONAL PORTFOLIOS (%)**

| | 1982 | 1983 | 1984 | 1985 | 1986 | March 1987† | Sept 1987† | Oct 1987† |
|---|---|---|---|---|---|---|---|---|
| Cash | 3.0 | 2.8 | 3.3 | 2.9 | 2.6 | 2.8 | 2.4 | 3.2 |
| Bonds | 25.7 | 24.1 | 22.2 | 21.2 | 18.2 | 16.8 | 14.2 | 17.8 |
| Equities | 48.4 | 52.9 | 56.2 | 59.7 | 65.3 | 67.7 | 71.6 | 64.7 |
| Domestic | 37.8 | 39.1 | 42.3 | 44.7 | 47.1 | 49.2 | 53.1 | 47.2 |
| Foreign | 9.1 | 11.7 | 11.2 | 11.8 | 14.2 | 14.3 | 14.1 | 13.3 |
| U Trusts | 1.7 | 2.1 | 2.7 | 3.2 | 4.0 | 4.2 | 4.4 | 4.2 |
| Others** | 22.9 | 20.2 | 18.5 | 16.2 | 13.9 | 12.7 | 11.8 | 14.3 |

**Mostly property. †CCM estimates

Source: Capel-Cure Myers

## FT/AIBD INTERNATIONAL BOND SERVICE

| | | | | |
|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

# UK COMPANY NEWS

### David Waller looks at Magnet - a one-time favourite with City analysts

## Retailing now supplies hopes of revival

COMMERCIAL realities and City perceptions frequently get out of kilter; rarely more so than in the case of Magnet, the kitchen and bedroom furniture maker and retailer which is to sack ten per cent of its workforce by the end of the year.

From November 1986, when the company caught analysts unawares with a 71 per cent leap in interim profits, to the last week in August this year, Magnet - then known as Magnet & Southerns - could do no wrong in the eyes of the City. Its shares more than doubled over the period and were accorded a vertiginous rating.

The reason: Magnet's ambitious and risky strategy of turning itself into a retailer rather than a supplier to the building trade appeared to have paid off, promising years of spectacular profits growth. But however well-founded the basic strategy, by this summer the company was finding that its sales projections were unduly optimistic --and trading began suffering as a result.

Yet the City remained unaware of the problems and a leading analyst at one of the company's brokers remained enthusiastic until, that is, he paid a visit to Magnet's headquarters in Yorkshire in late August. Immediately, he sharply downgraded his profits forecast for 1987-88.

After he made a call to his office from a Yorkshire phonebox, news of this leaked out and Magnet's shares collapsed. They fell by 16½ per cent on Monday, August 26, alone - a paper loss of £100m - dropping from 326p to 265p over the week. This was a long way below their July peak of 406p.

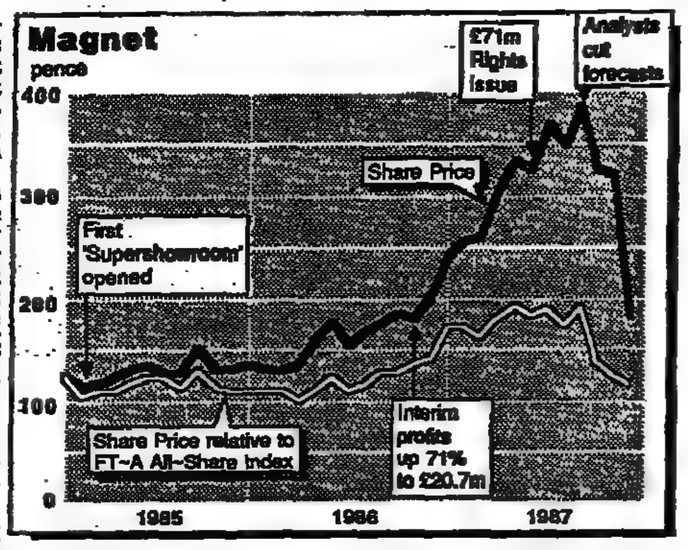
Further developments, not least of them the market crash, have not helped "sentiment", that intangible arbiter of a share price. Early this month, it emerged that West Yorkshire police were investigating a possible fraud at the company's Keighley headquarters and last week, Magnet disclosed that it plans to dismiss 500-600 employees before the end of the year. The shares closed at 172½p on Friday.

"The company's position is exceptionally strong," said the chairman Mr Tom Duxbury when he announced a 21 per cent increase in interim pre-tax profits last Wednesday. At £26.46m, taxable profits were greater than those made during the whole of 1984, evidence of the undeniable success of Magnet's reorientation as a retailer.

First steps in this direction were taken in early 1985, when after a decade's factional struggle, Mr Duxbury won the management ascendancy.

Formed in 1975 as a result of a merger between Magnet, Mr Duxbury's family business, and Southerns Evans, Magnet and Southerns still supported two distinct company cultures, two management structures, two incompatible computers and two headquarters. Long playing a back-seat role, Mr Duxbury changed all that when he took control and began to turn the company's back on its traditional customer base in the construction industry to embrace instead the general public - the DIY enthusiast rather than the builder.

It was a radical step which required drastic measures. Trade discounts were abolished - as part of a move designed to stimulate demand from the general public by lowering prices. Although a 5 per cent discount was eventually re-introduced, builders, plumbers and developers stayed away in droves. At the same time, Magnet embarked on a massive programme of converting its depots to make them more accessible to the retail customer. Traditionally, they were




untidily stuffed full of supplies such as windows and doors with no room for even a basic display of products.

At first, not unexpectedly, demand faltered, margins tumbled and profits for 1985-86 fell. But in time, the formula proved staggeringly successful. A simple refurbishment of a depot, costing perhaps £50,000, brought about an immediate 60 to 70 per cent increase in sales.

The first indication of the success of the strategy in profits terms was the surprise hike at the interim stage a year ago, followed in June with pre-tax profits ahead by more than two-thirds to £44m. Magnet chose this moment to hold a £71m rights issue through the issue of convertible preference shares.

Although Magnet is reluctant to disclose the break-down of its profits, the growth was powered by sales of kitchens and kitchen units. Analysts credit the company with pitching its product at exactly the right level of the market, more expensive than kitchens sold by MFI, but not so much as to deter the masses - who were prepared to pay more for a recognisably superior product.

Magnet is "vertically integrated" and manufactures some 70 per cent of the products sold through its depots. While experiencing an explosion in sales earlier this year, lower retailing margins were more than offset by better manufacturing margins as the company's factories thundered out flat-pack kitchen units at optimum productivity.

Magnet fell into the trap of gearing up production in anticipation of yet further increases in demand - and analysts fell into the trap of assuming profits growth to match, forecasting £70m for the current year.

Circumstances conspired to leave Magnet seriously overstocked by June: for a variety of reasons, supply from the factories far outstripped demand in the depots. Sales faltered ahead of the election, and the company found it difficult to get planning permission for large "mega-showrooms" which were supposed to generate huge sales increases from the moment they opened.

Magnet acted to reduce stocks by savage discounting in the depots; the result was unusually high turnover and very low retailing margins. The next step - as reflected in the redundancies - is to cut back manufacturing costs.

The saga hardly reflects well on the company's foresight, but contrary to the impression given by the share price, the effect on Magnet's business has not been calamitious and analysts still expect a respectable increase in pre-tax profits to £52m or so this year.

Nor has it dented management's confidence in the wisdom of its strategy and Magnet's expansion plans continue apace - it plans to convert a further 70 depots by April next year, bringing the total refurbished so far to 258.

Capital expenditure on conversion will in this financial year amount to £42m; this will come from borrowings as the proceeds of the rights issue have already been spent.

Magnet's staff clearly suffer from a morale problem, particularly those in manufacturing who may lose their jobs, but also those in some depots who must still be wondering whether they should be selling to the trade or the public. Furthermore, trading prospects must be clouded by macro-worries about consumer spending - more specifically by competition from MFI which is likely to move upmarket following its management buyout and the acquisition of Hygena.

Against this background, Magnet's shares are now rated in line with builders' merchants, rather than as a glamourous niche retailer. Ironically, they were on the most favourable rating in the summer – at the point of the company's greatest commercial difficulty.

## Eurotunnel issue hangs on French response

By Richard Tomkins

Eurotunnel, the Anglo-French company building the Channel Tunnel, is today expected to reveal whether it has found willing buyers for the whole of its £770m share issue.

The UK offering of 101m Eurotunnel units (each comprising one UK and one French share) is almost certainly undersubscribed. Only 100,000 to 150,000 applications were received and the average size of application is believed to have fallen well below the expected level of 1,000 units.

The French advisers are said to be more optimistic about the response in France. But because the shares there have been distributed through hundreds of High Street banks, the figures have not yet been collated.

If the French offer is oversubscribed, the excess demand will be used to mop up the unwanted stock in the UK

A redistribution along these lines would help support the price when dealings in the units begin on Thursday December 10. However, it would also bring renewed accusations of British apathy towards the project and increase the likelihood of it being seen as French dominated.

### Beaverco/Toothill

Beaverco, plastic foam and sofa bed maker, has increased its stake in Toothill by 5,000 shares to 12.98 per cent. Toothill, which manufactures furniture, reported only a modest rise in pre-tax profits to £329,219 for the year to March 31, 1987.

### FT Share Service

The following securities were added to the Share Information Service in Saturday's paper:

DEX Inc. (Section: Mines-Miscellaneous); ML Laboratories (Third Market); Propeller (Third Market).

## MK rejects RTZ bid arguments

BY DAVID WALLER

ALL HOPES of agreement between MK Electric and RTZ, which last week launched an unwelcome £206.5m cash offer for the electrical accessories and doorbell manufacturer, disappeared yesterday as MK's management expressed its desire to keep the company independent after rejecting the arguments put forward in RTZ's offer document, posted to MK shareholders on Saturday.

The document offers criticism of MK's profits and share price record in recent years and argues that the company would find it difficult to grow beyond the present year without access to RTZ's financial resources.

Mr Roger Leverton, MK's chief executive, responded by saying that the document did nothing to persuade him that he should recommend the offer to MK shareholders. "It provides no evidence of any synergy between Pillar and MK; the price totally undervalues the business. Neither their cash nor their marketing expertise would benefit us at all - we wish to remain independent.

MK's shares ended the week at 289p, 49p above the value of RTZ's offer. Matters were complicated when a French electrical company, Legrand, emerged as a holder of 2.6 per cent of MK's shares.

### Saatchi may consider going private

By Richard Tomkins

Saatchi & Saatchi, the advertising group whose shares have taken a severe battering recently, said yesterday it might consider going private if its price fell any lower.

Mr Victor Millar, chief executive, told Channel 4's Business Programme that it was Saatchi's intention to remain a publicly quoted company because of the access this gave it to equity finance.

"Having said that, if there is a drop significantly from this point, certainly buying the company back would have to be one of the areas that would be considered." Saatchi's shares were at 384p on Friday against a year's peak of 1199p (adjusted).

### Storehouse in £10m talks for Blazer

By Richard Tomkins

Storehouse, the retailing group fighting a hostile bid from Benlox, is negotiating the purchase of Blazer, a privately-owned men's fashion retailer, for around £10m.

Blazer has six menswear shops, one of them in Guildford and the other five in fashionable shopping areas of London. It had planned to come to the Unlisted Securities Market in October, but postponed the flotation because of the stock market crash.

Storehouse considers that the purchase of Blazer would complement Richard Shops, its niche womenswear retailing chain. It is believed to be negotiating a deal involving an initial payment followed by further amounts dependent on performance.

## Option on Ecobric stake

BY CLAY HARRIS

Freehold Trading, Jersey-based investment group, has been granted an option over the stake held by Marler Estates, property company and owner of Chelsea and Fulham football grounds, in Ecobric Holdings, USM-quoted demolition group.

Freehold advanced the £875,000 with which Marler bought 17.5m Ecobric shares, a 64 per cent stake, in April. If the option is exercised, Marler stands to make a profit of £2.15m at no risk to itself.

The option also covers Marler's right to subscribe for an additional 2.6m shares. It is conditional on the reverse takeover of Ecobric by Zurich Group, privately owned property and housebuilding company, going through and Ecobric shares resuming trading.

They were suspended at 75p in July, although Zurich's offer a month later was based on a nominal share price of 70p (valuing Marler's actual and potential holding at £14m). If the bid does not proceed, Marler will repay the £875,000 advance and split equally with Freehold any profits on the Ecobric stake.

Mr Robert Noonan, Marler executive director, said the option agreement had been planned since April.

## Bulgin headway in first half

A.F. Bulgin, maker of electrical and electronic components, lifted its sales by 18 per cent to £5.44m and its profit by 42 per cent to £291,000.

But exceptional costs this time were up to £80,000, against £25,000, so the pre-tax profit for the half year ended July 31 1987 was ahead by only £31,000 to £211,000.

The company was helped by better trading conditions in the electronics industry. Expansion of the power conversion division necessitated its relocation from Barking to Broxbourne, and the cost affected the result.

Component manufacturing at Barking produced satisfactory results, exports being particularly good. Cirkit Holdings [illegible] hit by escalating costs; but a reorganisation stemmed that and the company was trading profitably.

Earnings in the half year came to 0.48p (0.38p) per share. There will not be an interim dividend because of the need for additional working capital, but it is intended to pay a final (last year 0.1p).

### Alpine Drinks cuts losses

Reduced pre-tax losses of £134,000 were announced by Alpine Soft Drinks for the six months to September 26 1987, compared with £211,000 previously. The improvement was achieved on a lower turnover of £6.54m (£7.2m).

There was again no tax paid, and losses per 10p share amounted to 1.18p (2.06p).

The board of directors was reconstituted in August and a cash subscription of £2.14m made, primarily by Pedigree Group. At September 26 the company had cash resources of about £2.9m.

The new directors said they intended to develop and expand the group's business into a broader range of consumer products through acquisition and product growth.

They were aware that the unsatisfactory performance in soft drinks in recent years had to be halted and were taking action to redress the situation. That involved a rationalisation programme, they said, which would incur significant extraordinary costs during the current 12-month period.

### Delaney in £4.6m deal

Delaney, the acquisitive Birmingham-based furniture manufacturer to the retail and contract markets, is to buy Christie's, a manufacturer and distributer of fitted bedroom furniture, for £4.6m. It is Delaney's seventh, and by far its largest acquisition in the last 12 months.

Delaney is to pay with 2.54m new ordinary shares and 2m new 5.8 per cent convertible redeemable preference shares of £1.

Christie's has grown substantially in the past two years, employing 140 now, compared with 49 in 1985. Pre-tax profits have grown from £71,000 that year to £215,000 last year and reached £522,000 for the 9 months to September 30 this year.

Delaney supplies reproduction furniture to the retail trade and to contract markets such as pubs and clubs. It is a bar and shop fitter and hotel refurbisher. The contract market accounts for 66 per cent of its sales, and retail the remainder.

### BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Alexon, American Business Systems, Canadian, London Securities, William Morrison Fine Arts, Office and Electronic Machines, Sheraton Securities International, Untock.

Finals: Circaprint, Hewthorn Leslie, G. & G. Kynoch, Macprint, Trafalgar House.

FUTURE DATES

| | |
|---|---|
| Interims- | |
| Asprey | Dec 3 |
| Beaverco | Dec 7 |
| Booth Industries | Dec 10 |
| Dares Investment Trust | Dec 16 |
| Deelkraal Gold Mining | Dec 8 |
| Doornfontein Gold Mining | Dec 8 |
| Driefontein Consolidated | Dec 8 |
| Fashion and General | Dec 1 |
| Kloof Gold Mining | Dec 8 |
| Libanon Gold Mining | Dec 8 |
| Logica | Dec 1 |
| London & Overseas Freighters | Dec 4 |
| Preedy | Dec 7 |
| Priest Marians | Dec 4 |
| Protoprint | Dec 1 |
| Rowlinson Securities | Dec 2 |
| Venterspost Gold Mining | Dec 8 |
| Vinten | Dec 14 |
| Vlakfontein Gold Mining | Dec 8 |
| Finals- | |
| Bensford (S. & W.) | Dec 7 |
| Dobson Park Industries | Dec 7 |
| Granada Group | Dec 7 |
| Union Discount Co of London | Feb 3 |
| Viking Packaging | Dec 18 |

# DIARY DATES

## Business and Management Conferences

**November 24**
The Henley Centre: The UK economy - the next five years (01-353 9961)
**Cavendish Conference Centre, London**

**November 24**
The Institute of Taxation: Tax planning for individuals and trusts (01- 235 9381)
**RAF Club, Piccadilly W1**

**November 26**
Leasing Digest Conferences: Looking forward with hindsight. (01-236 3288)
**Grosvenor House Hotel, London W1**

**November 26-27**
Central Computer and Telecommunications Agency, HM Treasury: European conference on the use of knowledge-based and expert systems in government (01-868 4466)
**Gatwick Hilton Hotel**

**November 27**
The Textile Institute: Protecting and exploiting creative ideas in the textile industry - conference and seminar (061-835 3087)
**Holiday Inn Crowne Plaza Midland Hotel, Manchester.**

**November 30**
IBC: Recent developments in EEC competition law (01-236 4080)
**London Press Centre,EC4**

**December 1**
National Economic Development Office - Consumer Electronics EDC: Automating the home........now and tomorrow (0273 722687)
**Royal Garden Hotel, London**

**December 1-2**
Financial Times: World Telecommunications (01- 925 2323).
**Hotel Inter-Continental, London W1**

**December 1**
Waters Information Services: Technology issues in 24-hour trading ( NY 607- 772 8086)
**Hotel Parker Meridien, New York City**

**December 2**
The Watt Committee on Energy: Renewable energy sources (01-379 6875)
**The Royal Institution of Great Britain, London W1**

**December 3**
CBI Conferences: Financial Services Act II (01-379 7400)
**Centre Point, London, WC1**

**December 3-4**
Financial Times / British Venture Capital Association: Venture capital financial forum (01- 925 2323)
**Hotel Inter-Continental, W1**

**December 3-4**
Institute of Directors: Fighting off the predators - or becoming one yourself (01-839 1233)
**116, Pall Mall, London**

**December 7**
CBI Conferences: Winning partnerships - success through academic/industry collaboration (01-379 7400)
**Centre Point, London WC1**

**December 7-8**
The Royal Institute of International Affairs: Energy 1987 - The new market equilibrium? (01-930 2233)
**10, St James Square,London SW1**

*Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no changes in the details published*

## Trade Fairs and Exhibitions: UK

**Current**
International Building and Construction Exhibition (01-486 1951)(until November 28)
**NEC, Birmingham**

**December 1-3**
International Trade and Services Exhibition and Conference - EXPORT (01-727 1929)
**Business Design Centre,London**

**December 1-5**
World Travel Market Exhibition (01-940 6055)
**Olympia**

**December 3-6**
Retirement Exhibition-RETIREMENT (01-387 7878)
**The Barbican Centre**

**December 6-9**
Telecommunications in the 90s Exhibition - TMA 20
**Metropolitan Exhibition Hall,Brighton**

**December 7-10**
Royal Smithfield Show & Agriculture Machinery Exhibition (01-235 0315)
**Earls Court**

**December 8-11**
International Bus, Truck and Car Product and Manufacturing Technology Exhibition and Conference - AUTOTECH (021-780 4171)
**NEC,Birmingham**

**December 18-19**
Cash and Carry Fashion Fair (01-727 1929)
**Kensington Town Hall**

## Overseas Exhibitions

**November 24-27**
World of Concrete Europe Exhibition (0923 778311)
**Brussels**

**November 25-28**
North European Electronics, Electrical Engineering and Power Transmission Exhibition - ELECTROTEC (0202 687070)
**Hamburg**

**December 2-5**
International Safety and Security Fair- FISP (01-499 0877)
**Sao Paulo**

**December 3-6**
World Print Exhibition and Congress-WPE (01-940 3777)
**Hong Kong**

**December 9-15**
Optics and Glass Exhibition (01-439 4452)
**Beijing**

**December 10-15**
Heating, Refrigerating and Air conditioning Exhibition- INTERCLIMA (01- 225 5566)
**Paris**

## FINANCIAL

TODAY
BOARD MEETINGS-
Finals:
Circaprint
Hawthorn Leslie
Kynoch (G. & G.)
[illegible]
Trafalgar House
Interims:
Alexon
Amer. Bus. Syst.
[illegible]

Wade Potts. 10% Prf. 5p
Walker Greenbank 0.5p
Wells Fargo Fltg. Rate Sub. Nts. 1992 $64.37
[illegible]

TOMORROW
COMPANY MEETINGS-
AB Electronic, St Davids Hall, Cardiff, 11.30
[illegible]

Save & Prosp. Linked Inv. 14.41p
Scot. Mort. & Tst. 0.6p
Senior Eng. 0.91p
Sth. Staffordshire Wtr. 3½% 1.75p
Do. A 4.9% 2.45p
Do. B 4.9% 2.45p
Do. C 4.9% 2.45p
[illegible]

## PARLIAMENT

### TODAY

**Commons:** Housing Bill, second reading.

**Lords:** Lerwick Harbour Order Confirmation Bill, third reading. Coroner's Bill, committee. Copyright, Designs and Patents Bill, committee. Motion on the Merchant Shipping (Passenger Ship Construction) Regulations, 1987.

**Select committees.** Public Accounts. Subject: National Audit Office, estimates and corporate plan; Northern Ireland Audit Office Estimate. Witnesses: Sir Gordon Downey, Mr L.V. Calvert. (Room 16, 4.45pm).

**European legislation.** The Copenhagen package. Witnesses: Mr John MacGregor MP and Ministry of Agriculture officials. (Room 15, 5pm).

### TOMORROW.

**Commons:** Education Reform Bill, second reading.

**Lords:** Criminal Justice Bill, third reading. Farmland and Rural Development Bill, committee.

**Select committees.** Dartford-Thurrock Crossing Bill. (Room 5, 10.30 am).

**European legislation.** The Copenhagen package. Witnesses: Mr Peter Brooke and Treasury officials. (Room 15, 3 pm).

**Parliamentary Commissioner for Administration.** Reports of the Health Service Commissioner for 1986-87. Witnesses: Bradford Family Practitioner Committee; Oxfordshire Regional Health Authority (Room 8, 4.30 pm).

### WEDNESDAY

**Commons:** Opposition debate on the burden imposed on the real economy by Government policies, followed by debate on protecting lives at work and in the community. Debate on the selection and appointment of Commons select committees.

**Lords:** Debate on the world economy and its effects on the UK.

**Select committees.** Dartford-Thurrock Crossing Bill (Room 5, 10.30 am). Public Accounts: The torpedo programme and design and procurement of warships; control and management of the Trident programme. Witnesses: Mr Peter Levene, Ministry of Defence, and Sir Gordon Manzie, Property Services Agency (Room 16, 4.15 pm).

**Joint committee.** Private bill procedure (Room 3a, 5 pm).

### THURSDAY

**Commons:** Debate on outstanding reports from the Public Accounts Committee.

**Lords:** Copyright, Designs and Patents Bill, committee. Air Navigation (Noise Certification) Order, motion for approval.

**Select committee:** Dartford-Thurrock Crossing Bill (Room 5, 10.30 am).

### FRIDAY.

**Commons:** Private members' motions.

# LONDON RECENT ISSUES

## EQUITIES

| Issue Price p | Amount Paid up | Latest Renunc. date | 1987 High | 1987 Low | Stock | Closing Price p | + or − | Net Div. | Times Cov'd | Gross Yield | P.E. Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| - | F.P. | 23/10 | 27 | 12 | Atlantic Assets Wrnts. | 12 | | - | - | - | - |
| §105 | F.P. | 6/11 | 160 | 71 | ♦Banner Homes 10p | 73 | -2 | R2.6 | 2.9 | 4.7 | 9.8 |
| 330 | 120 | - | 88 | 75 | British Petroleum | 77½ | -3½ | N12.5 | 1.5 | 5.9 | 14.3 |
| §18 | F.P | 26/11 | 28 | 18 | ♦Chartsearch 1p | 28 | +1 | R0.44 | 3.0 | 2.3 | 19.1 |
| 100 | F.P | - | 121 | 103 | ♦Co. of Designers 5p | 111 | | R3.0 | 2.2 | 3.7 | 13.4 |
| 10 | F.P. | 11/12 | 14¼ | 5 | EFM Dragon Trust 5p | 7 | +½ | - | - | - | - |
| † | F.P. | - | 268 | 235 | English & Caledonian Inv. | 235 | | - | - | - | - |
| 74 | F.P | 9/12 | 81 | 74½ | ♦Fairway (London)5p | 78 | | R2.5 | 1.8 | 4.4 | 13.8 |
| - | F.P. | - | 67 | 26 | First Spanish I.T. Wrnts. | 28 | +2 | - | - | - | - |
| - | F.P. | - | 104 | 70 | Haden MacLellan 20p | 77 | | 1.9 | 1.5 | 3.2 | - |
| † | F.P. | - | 152 | 100 | Hard Rock Intl. 2p | 140 | | L1.53 | 3.3 | 1.5 | 24.9 |
| † | F.P | - | 125 | 97 | Do 'A' (Restricted Vtg)2p | 106 | +1 | L1.53 | 3.3 | 2.1 | 17.8 |
| - | F.P. | 23/10 | 23 | 12 | Independent Inv. Wrnts. | 14 | | - | - | - | - |
| §80 | F.P | - | 148 | 81 | ISA Intl. 5p | 94 | -1 | R1.17 | 4.0 | 1.7 | 19.7 |
| §60 | F.P | - | 82 | 43 | *Kemp (P.E.)5p | 43 | | - | - | - | 8.1 |
| §115 | F.P. | - | 128 | 65 | ♦Macrol 5p | 65 | | L2.3 | 2.1 | 4.8 | 13.8 |
| - | F.P. | - | 175 | 175 | Mayne Nickless | 175 | | Q18.5c | 2.0 | 3.1 | 15.7 |
| 257 | F.P. | - | 98 | 55 | Moorgate Inv. Wrnts. | 55 | | - | - | - | - |
| §100 | F.P. | - | 108 | 98 | New Guernsey Securities | 98 | | - | - | - | - |
| §10.58 | F.P | - | $21¼ | $9⅞ | Portugal Fund $0.01 | $9¾ | | - | - | - | - |
| §110 | F.P. | 20/11 | 111 | 71 | Power Corp.Ir.£0.01 | 72 | | Q56.9 | 2.5 | 4.7 | 9.4 |
| §88 | F.P. | - | 90 | 65 | Record Hldgs 5p | 66 | | R2.0 | 3.2 | 4.2 | 10.2 |
| 250 | F.P | 12/12 | 317 | 138 | ♦Stanhope Prop. | 140 | -2 | - | - | - | - |
| §114 | F.P. | - | 121 | 115 | ♦Sykes-Pickavant 10p | 118 | | R5.25 | 2.0 | 6.2 | 11.1 |
| 1 | F.P. | - | 38 | 33½ | TR Pacific Inv Tst. 5p | 36½ | +½ | - | - | - | |
| §70 | F.P. | - | | | ♦Tredan Hldgs. 10p | | | | | | |
| §20 | F.P. | 21/12 | 26 | 20 | ♦Tabular Exhibitions | 21 | | - | - | - | - |
| §87 | F.P | 9/11 | 98 | 56 | ♦URS Intl.$0.01 | 56 | -2 | R4.75 | 1.9 | 4.5 | 11.6 |
| §60 | F.P. | - | 93 | 73 | ♦WSP Hldgs.5p | 73 | | R1.5 | 3.0 | 3.9 | 27.9 |
| † | F.P. | 25/11 | 30 | 16 | Wickham Securities | 24 | -1 | - | - | - | - |

## FIXED INTEREST STOCKS

| Issue Price £ | Amount Paid up | Latest Renunc. Date | 1987 High | 1987 Low | Stock | Closing Price £ | + or − |
|---|---|---|---|---|---|---|---|
| 5 | F.P. | - | 75p | 70p | *Abelscot 5¼pc. Cu.Cv.Rd.Pf 2006 | 70p | |
| - | - | - | 99½ | 90½ | Ansbacher(H.)9pc.Cnv.Sub.Ln.1998 | 97½ | -2 |
| 100 | £10 | 21/1 | 14 | 10¼ | Chester Wtr. Wks. 11¼pc Rd.Db.98/2000 | 12 | |
| 100p | F.P | | 87p | 63p | Helical Bar 5¼pc. Cnv.Cum.Red.Pf.2012 | 65p | +2 |
| - | F.P. | | 101⅛ | 99⅝ | N'wide Anglia 10⅝pc 12.9.88 | 101⅛ | |
| - | F.P. | | 101⅜ | 99¼ | Do. 10⅝pc 26.9.88 | 101 | |
| - | F.P. | | 101½ | 100⅛ | Do. 10½pc 31.10.88 | 100⅝ | |
| - | F.P. | | 99⅜ | 99⅜ | Do. 9¼pc 28.11.88 | 99⅜ | |
| ♦ | F.P. | | 109½ | 99½ | Next 5½pc Cnv. 2003 | 102½p | +½ |
| §100 | F.P. | | 115p | 109½p | Record Hldgs. 10pc Cum. Red. Prf. 21 | 109½p | |
| 100 | F.P. | | 95p | 73p | ♦Shield Grp. 5.85pc Cnv. Cum. Red. Pf. | 80p | |
| - | F.P. | 13/11 | 82p | 70p | Utd. Scientific 5¼pc Cum. N-V. Prf. | 82p | +3 |

## RIGHTS OFFERS

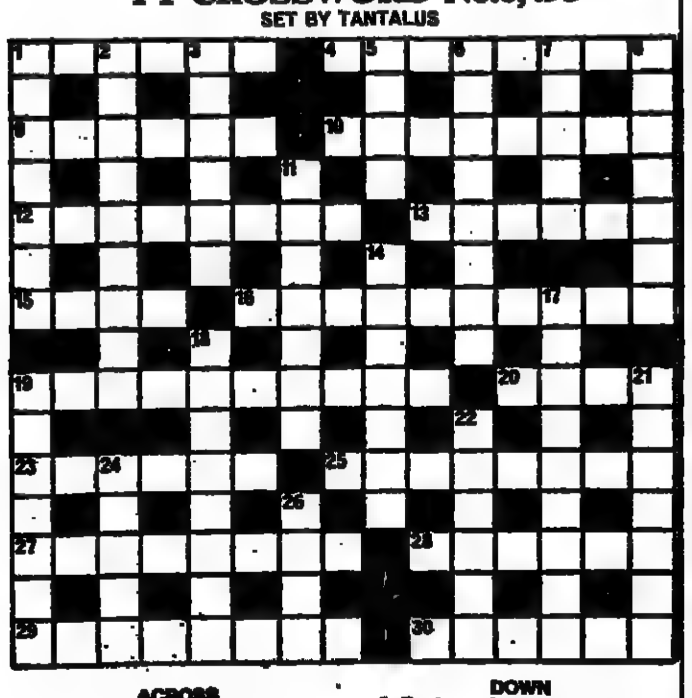
| Issue Price p | Amount Paid up | Latest Renunc. Date | 1987 High | 1987 Low | Stock | Closing Price p | + or − |
|---|---|---|---|---|---|---|---|
| 300 | Nil | - | 53pm | 45pm | ♦Applied Holographics 5p | 48pm | |
| 80 | Nil | 30/11 | 2¼pm | ½pm | ♦Chrysalis 5p | ½pm | |
| 45 | Nil | 30/11 | 5pm | 1½pm | Feedex Agric 10p | 1½pm | |
| 80 | Nil | - | 460pm | 205pm | Press Tools | 230pm | |
| 260 | Nil | 27/11 | ¾pm | ¾pm | Securiguard Group 5p | ¾pm | |

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. J. Estimated annualised dividend, cover and p/e based on latest annual earnings. N Dividend and yield based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. Z Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided. ♥ Issued by tender. ♦ Offered to holders of ordinary shares as a rights. † Introduction. § Placing price. †† Reintroduction. ♦ Issued in connection with reorganisation merger or takeover. ‡ Allotment price. ♦ Unlisted securities market. ♦ Official London listing. □ Including warrants entitlement. * Third Market.



## FT CROSSWORD No.6,495

SET BY TANTALUS



### ACROSS

1 English jurist in central Texas (6)
4 Graphite making true wicket in the past (8)
9 Iran domicile is somewhat haphazard (6)
10 Order into bed egghead is compliant (8)
12 Eton site designed for type of rose (8)
13 Eerily silent glittering spangles (6)
15 Be careful of motorway never drink initially (4)
16 Share a liberal position (10)
19 Tropical tree has unseasoned root (10)
20 Make cross? (4)
23 The Spanish goddess with daughter is jubilant (6)
25 Go in drunk and be noisy - that's ill bred (8)
27 Underworld bury and exhume! (8)
28 Church gets increase in money to provide colour (6)
29 Unnecessary to require a smaller portion (8)
30 Position can't be changed between bridge players (6)

### DOWN

1 Ernie makes an example of one (7)
2 Showing awareness, I enter judgment (9)
3 A compound is more complex, (6)
5 Auditor's part (4)
6 Insane - a girl arranges unaccompanied song (8)
7 States a stanza is unfinished (5)
8 Treated Lorna to table delicacy (7)
11 I relate trouble in artist's studio (7)
14 Officer going to old city time for bravery (7)
17 One solution - topless people have seclusion (9)
18 Nearly everyone supports fashionable bird as domestic (8)
19 Undergo treatment for a reward (7)
21 In a word, I'm moderate (7)
22 Company man is convincing (6)
24 Sale I organise in passage (5)
26 I object to ship disorder (4)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

# FT UNIT TRUST INFORMATION SERVICE

## AUTHORISED UNIT TRUSTS

[illegible]

# FT UNIT TRUST INFORMATION SERVICE

**Sceptre Asset Management Ltd**
8 Crosby Sq, London EC3A 6AQ 01-588 6993/4/5

| | | | | |
|---|---|---|---|---|
| Sceptre Global Gth Ac | 26.6 | 28.3 | -0.2 | – |
| Do. Income | 26.4 | 28.1 | -0.2 | 0.19 |
| Sceptre European Acc | 20.7 | 22.1 | +0.2 | – |
| Do. Income | 20.6 | 22.0 | +0.2 | 0.11 |
| Sceptre UK Eq Inc Acc | 32.9 | 34.7 | – | – |
| Do. Income | 31.5 | 33.7 | – | 5.77 |
| UK Cap Gth Acc | 22.2 | 23.4 | +0.1 | 0.75 |
| Sceptre Pac Basin Acc | 25.5 | 27.2 | +0.2 | – |
| Sceptre Mngd Exempt* | 132.2 | 137.8 | -4.4 | – |

*Unauthorised

**Scottish Equitable Fund Mgrs. Ltd(z)**
28 St Andrew Sq, Edinburgh 031-556 1051

| | | | | |
|---|---|---|---|---|
| Intal Income Units | 122.2 | 130.0 | – | 2.64 |
| Intal Accum Units | 187.8 | 199.9 | – | 2.64 |
| UK General Acc | 33.7 | 36.0 | -0.2 | 3.11 |
| UK General Inc | 32.4 | 34.7 | -0.1 | 3.11 |
| American | 25.4 | 27.2 | – | 0.64 |
| European | 34.5 | 36.9 | -0.3 | 0.94 |
| Japan | 49.8 | 53.3xd | – | – |
| Technology | 31.8 | 34.0 | -0.1 | 1.42 |
| Performance Trusts | | | | |
| Far East Perf Tst | 15.7 | 16.8 | – | 0.64 |
| High Inc Perf Tst Inc | 21.3 | 22.8xd | – | 6.37 |
| High Inc Perf Tst Acc | 21.7 | 23.2xd | – | 3.39 |
| Worldwide Tech Perf Tst | 24.6 | 26.3 | -0.1 | – |

**Scottish Life Investments(z)**
19 St Andrew Sq, Edinburgh 031-225 2211

| | | | | |
|---|---|---|---|---|
| Nelson (UK Equity) | 184.5 | 202.5 | – | 2.48 |
| Columbus (America) | 116.5 | 124.7 | – | 1.37 |
| Marco Polo (Pacific) | 188.4 | 201.6 | – | 0.61 |
| Da Vinci (European) | 212.0 | 226.8 | – | 1.70 |
| Drake | 46.9 | 50.2 | – | 2.37 |

**Scottish Mutual Investment Managers Ltd**
109 St Vincent St, Glasgow G2 5HN 041-248 6100

**Trades Union Unit Trust Managers**
100 Wood Street, London EC2 01-606 4305

**Triton Fd Mngrs. Ltd.**
Royal Ldn. Hse. Colchester CO1 1RA

**Tyndall Unit Trust Managers Limited**
25 Bucklersbury, London EC4N

**UK Unit Trust Managers Ltd**
Worthing Road, Horsham, RH12 1SL

**Unit Trust Account & Mgmt. Ltd**
30 Copthall Ave, London, EC2R 7PA

**United Charities Unit Trusts (a)(c)(i)**
Unicorn Hse, 252 Romford Rd, E7

**Vanguard Trust Managers Ltd**
65 Holborn Viaduct, London EC1A 2EU 01-236 3053
Dealing Line: 01-236 2468

# INSURANCES

**AA Friendly Society**

[illegible]

Continued on next page

# FT UNIT TRUST INFORMATION SERVICE

**Phoenix Assurance Co Ltd**
Phoenix House, Redcliff Hill, Bristol 0272 294941
Life Assurance Funds

| | | | | |
|---|---|---|---|---|
| Wealth Assur. | 354.2 | 372.9 | — | – |
| Eb"r Ph. Eq. | 304.1 | 320.2 | — | – |
| **Pension Plan Funds** | | | | |
| **Phoenix** | | | | |
| UK Equity Acc. | 148.1 | 155.8 | -0.6 | – |
| International Acc. | 215.0 | 222.8 | -0.4 | – |
| Property Acc. | 120.1 | 126.4 | +0.1 | – |
| Fixed Interest Acc. | 150.5 | 158.4 | +0.0 | – |
| Money Acc. | 130.4 | 137.2 | +0.6 | – |
| Bldg. Soc. Unit Acc. | 130.8 | 137.6 | +0.0 | – |
| Special Mngd. Acc. | 134.9 | 141.9 | -0.4 | – |
| **Phoenix/Framlington** | | | | |
| Intnl. Growth Acc. | 75.3 | 79.2 | — | – |
| Amer. & Gen. Acc. | 69.9 | 73.5 | +0.1 | – |
| Capital Tst. Acc. | 157.7 | 166.0 | +0.6 | – |
| Japan & Gen Acc. | 154.5 | 162.6 | +0.2 | – |
| American Turn. Acc. | 69.0 | 72.6 | +0.2 | – |
| Recovery Tst. Acc. | 146.3 | 153.9 | +0.2 | – |
| Special Mngd Acc. | 127.1 | 133.7 | +0.2 | – |
| **Phoenix/GT** | | | | |
| International Acc. | 113.0 | 118.9 | +0.6 | – |
| US & General Acc. | 81.3 | 85.5 | +0.2 | – |
| Amer Spec Sits Acc. | 55.0 | 57.8 | +0.3 | – |
| Japan & General Acc. | 148.6 | 156.4 | +0.3 | – |
| Far East & Gen. Acc. | 127.0 | 133.6 | -0.4 | – |
| UK Capital Acc. | 145.7 | 153.3 | +0.8 | – |
| European Acc. | 125.7 | 132.3 | +0.0 | – |
| Special Mngd. Acc. | 112.6 | 118.5 | +0.1 | – |

**Pioneer Mutual Insurance Co Ltd**
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

| | | | | |
|---|---|---|---|---|
| Managed Fund | 254.6 | 268.1 | — | – |
| Man Pens Inc & Cap Fds. | 323.2 | 340.3 | — | – |
| Money Fund | 110.1 | 115.9 | — | – |
| Pens. Mngd Fd (Init) | 77.6 | 81.7 | — | – |
| Pens Mngd Fd (Acc) | 85.8 | 90.4 | — | – |
| Pens FT30 Fd (Init) | 120.7 | 127.1 | — | – |
| Pens FT30 Fd (Acc) | 133.6 | 140.7 | — | – |
| Pens O'seas MgFd(Init) | 49.6 | 52.3 | — | – |
| Pens O'seas MgFd(Acc) | 54.9 | 57.8 | — | – |
| Pens Fxd Int Fd (Init) | 106.4 | 112.0 | — | – |
| Pens Fxd Int Fd (Acc) | 117.8 | 124.0 | — | – |

**Prudential Assurance Co**
Holborn Bars, London EC1N 2NH 01-405 9222
Prufund

| | | | | |
|---|---|---|---|---|
| Managed Nov 11 | 184.0 | 192.5 | — | – |

**Prudential Holborn Life Ltd**
Portland Hse, Stag Place, Ldn SW1E 5BH 01-630 1661

| | | | | |
|---|---|---|---|---|
| Managed Fd. | 401.7 | 422.9 | +3.6 | – |
| Equity Fd. | 794.3 | 836.1 | +11.8 | – |
| Intl. Fd. | 286.6 | 301.7 | -1.3 | – |
| Fixed Int. Fd. | 356.1 | 374.9 | +2.0 | – |
| Prop. Fd. | 295.3 | 310.9 | +2.0 | – |
| Cash Fd. | 231.6 | 243.8 | — | – |
| Pacific Basin Fd. | 155.8 | 164.0 | -0.5 | – |
| North American Fd. | 112.2 | 118.2 | -0.5 | – |
| European Fd. | 134.4 | 141.5 | -0.8 | – |

**Prudential Holborn Pensions Ltd**
Portland Hse, Stag Place, Ldn SW1E 5BH 01-630 1661

| | | | | |
|---|---|---|---|---|
| Managed | 431.7 | 454.5 | -0.7 | – |
| Equity | 602.1 | 633.8 | -1.9 | – |
| Global Equity | 177.0 | 186.4 | -0.4 | – |
| Fixed Interest | 366.5 | 385.8 | +1.1 | – |
| Property | 291.5 | 306.9 | +4.0 | – |
| Cash | 135.2 | 142.4 | — | – |
| Index Linked Gilt | 159.6 | 168.0 | +0.2 | – |
| Guaranteed | 9.25 | 10.25 | — | – |
| International Money | 181.8 | 191.4 | -0.2 | – |
| North American Fd. | 52.9 | 55.7 | -0.3 | – |
| Japanese Fund | 100.9 | 106.3 | +2.0 | – |
| European Fund | 69.9 | 73.6 | -0.1 | – |
| Special Situations Fd. | 86.4 | 91.0 | — | – |
| Communications Fund | 74.2 | 78.2 | -0.5 | – |
| Smaller Cos Fund | 87.7 | 92.4 | +0.1 | – |

**Prudential Pensions Limited**
Holborn Bars, London EC1N 2NH 01-405 9222

[illegible]

## MANAGEMENT SERVICES

[illegible]

## OFFSHORE AND OVERSEAS

[illegible]

# FT UNIT TRUST INFORMATION SERVICE

**Frobisher Fund Limited**
PO Box HM1735, Hamilton, Bermuda 809 295 7447

**GT Investment Mngmnt Co SA**
2 Boulevard Royal, Luxembourg
Tel. London Agents: 01-283 2575

**GT Management (UK) Ltd**
8th Floor, 8 Devonshire Sq, London EC2M 4YJ

**Gartmore Fund Managers Ltd. Agents**
Gartmore House, 16-18 Monument Street, London EC3R 8AJ 01-623 1212
Investor Services: Freephone 0800-289 336

**Henderson Admin. (Guernsey)**

**Henderson Management SA**
20 Blvd Emmanuel Servais, Luxembourg

**Henderson Global Strategy Mngmt SA**
20 Blvd Emmanuel Servais, Luxembourg

**Hill Samuel Fd. Mngrs. (Guernsey) Ltd**

**Hill Samuel Investment Services Intl SA**

**Money Market Trust Funds**

**Money Market Bank Accounts**

# LONDON SHARE SERVICE

## BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

## BRITISH FUNDS – Contd

Undated

Index–Linked

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for January 1987:100.0 and for August 1987: 102.1
(rebased at 100 January 1987 conversion factor 3.945).

## INT. BANK AND O'SEAS GOVT STERLING ISSUES

## CORPORATION LOANS

## COMMONWEALTH & AFRICAN LOANS

## LOANS

Public Board and Ind.

Financial

## FOREIGN BONDS & RAILS

| Interest Due | Stock | Price £ | Last xd | Div % Gross | Yield |
|---|---|---|---|---|---|
| 1Apr 1Oct | Greek 7pc Ass.(b) | 45xd | 2.11 | 3.50 | 7.42 |
| 1Feb 1Aug | Do. 6pc 28 Stb. Ass. | 45 | 3.8 | 3 | 6.37 |
| 1Apr 1Oct | Do 4pc Mixed Ass. | 45 | 1.10 | 2 | 4.44 |
| 1May 1Nov | Hung. '24 Ass(b) | 64 | 5.85 | 2.75 | 4.16 |
| 31May 30Nov | Hydro Quebec 15pc 2011 | 137¾ | 3.6 | 15.00 | 10.60 |
| 31Jan 31Jly | Iceland 14½pc Ln 2016 | 125⅝ | 9.7 | 14.50 | 11.42 |
| 1Mar 1Sept | Ireland 9¾pc '91-96 | 99¼ | 10.8 | 9.98 | 10.68 |

## AMERICANS

Continued on next page

UNIT TRUST NOTES

## AMERICANS – Contd

| Dividends Paid | Stock | Price £ | Last xd | Div Gross | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|
| My Jn Se De | RJR Nabisco Inc. | 27¼ | 05.10 | $1.60 | – | 3.4 |
| Jan Apr Jly O | [illegible] NY Corpn $5 | 34½ | 10.9 | $1.16 | – | 2.7 |
| Mr Jn Se De | Rockwell Intl. $1 | 9½ | 9.11 | 64c | – | 3.9 |
| Oc Ja Ap Jly | Sara Lee $1(1/3) | 29¾xd | 13.00 | $1.00 | – | 3.0 |
| Mr Ju Se De | [illegible] (B. F.) $1 | 9¼ | 10.9 | 20c | – | 1.3 |
| Fb My Ag No | Southwestern Bell $1 | 19¾ | 7.7 | $2.32 | – | 6.8 |
| – | [illegible] Continental | 10¾ | – | 80c | – | 4.4 |
| Mr Jn Se De | [illegible] Co. Inc. $1 | 28¼ | 05.10 | $3.00 | – | 6.1 |
| Ma Ja Se De | TRW Inc. $0.625 | 23⅝xd | 11.8 | $1.60 | – | 3.9 |
| Mr Jn Sp Dc | Tenneco $5 | 23¼xd | 11.8 | $3.04 | – | 7.4 |
| June Dec | Do. 10pc Ln Stk. 91-5 | 13⅝xd | 13.00 | 10% | – | 14.7 |
| Mr Je Se De | Texaco $6.25 | 16¾xd | 31.7 | $3.00 | – | 10.5 |
| Mr Ja Se De | Time Inc. $1 | 42⅝xd | 22.8 | $1.00 | – | 1.3 |
| Ja Ap Jy Oc | Tracor $0.33(1/3) | 17¼xd | 16.9 | 40c | – | 1.3 |
| Ja Ap Ju Oc | Transamerica $1 | 18⅛xd | 30.09 | $1.84 | – | 5.8 |
| Fe My Ag No | Transworld Corp $5 | 724p | 11.11 | 20c | – | 1.6 |
| Mc Je Se De | TRINOVA Corp. | 15¾ | 9.11 | 56c | – | 2.0 |
| Mr Je Se De | USX $1 | 16⅝ | 30.10 | $1.20 | – | 4.2 |
| Ag Nv Fb Jn | Union Carbide $1 | 11⅜xd | 4.8 | $1.50 | – | 7.3 |
| Mr Jn Sp Dc | Utd. Technologies | 19⅛xd | 19.5 | $1.40 | – | 4.2 |
| Fb My Ag No | US West | 27¾ | 13.4 | $3.28 | – | 6.8 |
| – | Waste Management $1 | 19¾ | – | – | – | – |
| – | Whirlpool $1.0 | 14¼ | – | – | – | – |
| Mr Je Se De | Woolworth $3½ | 19 | 19.11 | $1.32 | – | 4.0 |

## CANADIANS

| Dividends Paid | Stock | Price £ | Last xd | Div Gross | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|
| – | [illegible] Gold Corp | 291p | – | – | – | – |
| – | [illegible] Energy Corp. | 23¼ | – | – | – | – |
| – | Amer. Barrick Res. | 11¼ | – | – | – | – |
| – | American Lightwave | 74p | – | – | – | – |
| – | [illegible] | 40p | – | – | – | – |
| – | [illegible] Explo. | 46p | – | – | – | – |
| Fb My Ag Nv | Bk. Montreal | 18¼ | 9.11 | $2.00 | – | 8.1 |
| Ja Ap Ju Oc | Bk. Nova Scot. | 533p | 23.9 | 72c | – | 5.9 |
| Ap Jy Oc Ja | BCE | 15¼ | 10.9 | $2.40 | – | 6.8 |
| May Nov. | [illegible] Valley | 389p | 15.12 | 40c | – | 3.1 |
| Ja Ap Jy Oc | [illegible]rascan | 11¼ | 28.10 | 88c | – | 3.4 |
| – | [illegible] Res. | 229p | – | 10c | – | 1.9 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc

[illegible]

## BEERS, WINES & SPIRITS

[illegible]

## BUILDING, TIMBER, ROADS

[illegible]

## BUILDING, TIMBER, ROADS – Contd

[illegible]

## CHEMICALS, PLASTICS

[illegible]

## DRAPERY AND STORES

[illegible]

## DRAPERY AND STORES – Contd

[illegible]

## ELECTRICALS

[illegible]

## ENGINEERING

[illegible]

## ENGINEERING – Contd

[illegible]

## FOOD, GROCERIES, ETC

[illegible]

## HOTELS AND CATERERS

[illegible]

## INDUSTRIALS (Miscel.)

[illegible]

## INDUSTRIALS (Miscel.) – Contd

[illegible]

## INDUSTRIALS (Miscel.) – Contd

[illegible]

## INSURANCES

[illegible]

# LONDON SHARE SERVICE

## INSURANCES — Contd

| Dividends Paid | Stock | Price | Last xd | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|
| Oct. June | Pearl Group 5p | 345 | 14.9 | †10.5 | — | 4.3 | — |
| Nov. May | Prudential | 770 | 12.10 | †29.0 | — | 5.1 | — |
| Nov. May | Refuge 5p | 386 | 14.9 | 15.75 | — | 5.7 | — |
| Jan. May | Royal | 383 | 28.9 | †15.5 | — | 5.5 | — |
| — | Sabre Ins. Inc. | 95 | — | — | — | — | — |
| April Oct. | Sedgwick Group 10p | 193 | 14.9 | 12.0 | 1.7 | 8.5 | 8.2 |
| May Nov | Steel Burrill J.10p | 158 | 14.9 | †9.0 | 2.0 | 7.8 | 8.8 |
| Nov. July | Stewart Wr. 20p | 618 | 11.5 | †13.0 | 2.0 | 2.9 | 21.9 |
| Mar Sept | Sturge Hldgs 20p | 359 | 27.7 | †6.0 | 2.5 | 2.3 | 22.9 |
| Jan. July | Sun Alliance | 798 | 26.10 | †23.5 | — | 4.1 | — |
| June Nov. | Sun Life 5p | 915 | 28.9 | †28.5 | — | 4.3 | — |
| April | ♦Taisho M EDR | [illegible] | 25.3 | [illegible] | — | 1.0 | — |
| [illegible] | Torchmark $1.00 | [illegible] | [illegible] | Q$1.00 | — | 4.3 | — |
| Nov. May | Trade Indemnity | 357 | 28.9 | 14.5 | — | 1.4 | — |
| Au Ja Sr De | Travelers $1.25 | [illegible] | 28.7 | $2.28 | — | 6.8 | — |
| — | USF & G Corp $2.50 | [illegible] | 22.06 | Q$2.48 | — | 8.0 | — |
| Dec. June | USLIFE Corp. $1.0 | [illegible] | 04.10 | Q$1.28 | 3.2 | 4.4 | 7.1 |
| June Nov | Wd Friendly B 10p | 590 | 12.10 | 21.0 | — | 4.9 | — |
| May Nov | Willis Faber 12½p | 223 | 28.9 | †10.75 | 2.4 | 6.6 | 8.5 |
| Mar. July | Windsor Secs. 10p | 62 | 22.12 | †0.7 | 1.5 | 1.6 | — |

## LEISURE

| Dividends Paid | Stock | Price | Last xd | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|
| October | ♦A & M Group 10p | 13 | 11.6 | — | — | — | — |
| — | Airtours 10p | 85 | — | R5.4 | 1.5 | 8.5 | 10.1 |
| May Aug. | Anglia TV | 280 | 29.6 | †11.25 | 3.3 | 5.3 | 7.8 |
| | For Arley see Industrials | | | | | | |
| — | ♦Aspinall Hldgs. 10p | 90 | 23.2 | 6.0 | 1.2 | 9.1 | 12.3 |
| — | ♦Avesco 1p | 70 | 13.7 | 0.5 | 6.7 | 1.0 | 19.8 |
| — | ♦BCE Hldgs 5p | 52 | 10.8 | Ld1.0 | ♦ | 2.6 | ♦ |
| July Nov | Barr & W.A.T. 'A' | 215 | 29.9 | †8.0 | 1.4 | 5.1 | 17.5 |
| | Bond Media | 24 | | — | — | — | — |
| — | Boosey & Hawkes | 170 | 4/84 | — | — | — | — |
| | ♦Border T.V. | 37 | 14.9 | 1.4 | ♦ | 5.2 | ♦ |
| June Dec | Brent Walker 10p | 283 | 9.11 | †q9.5 | 2.3 | 4.8 | 13.7 |
| — | Do 6pc Cv.Cm.Rd.Pf. | 94 | — | 6.0 | — | 8.7 | — |
| Mar. Nov. | Campari Int. 20p | 187 | 14.9 | †9.0 | 5.1 | 2.2 | 9.6 |

## MOTORS, AIRCRAFT TRADES

### Commercial Vehicles

### Components

### Garages and Distributors

## NEWSPAPERS, PUBLISHERS

## PAPER, PRINTING, ADVERTISING

## PAPER, PRINTING, ADVERTISING — Contd

## PROPERTY

## SHIPPING

## SHOES AND LEATHER

## SOUTH AFRICANS

## TEXTILES

## TEXTILES — Contd

## TOBACCOS

## TRUSTS, FINANCE, LAND

### Investment Trusts

## TRUSTS, FINANCE, LAND — Contd

### Finance, Land, etc

## OIL AND GAS

## OIL AND GAS — Contd

## OVERSEAS TRADERS

## PLANTATIONS

### Teas

## MINES

### Eastern Rand

### Far West Rand

### O.F.S.

### Diamond and Platinum

### Central African

### Finance

### Australians

## MINES — Contd

### Tins

### Miscellaneous

## THIRD MARKET

## NOTES

## REGIONAL & IRISH STOCKS

### IRISH

## TRADITIONAL OPTIONS

3-month call rates

A selection of Options traded is given on the London Stock Exchange Report Page

# APPOINTMENTS



# Beecham director of treasury

**Mr Stephen Crompton** has been appointed director of treasury at the BEECHAM GROUP. He will be joining at the end of the year from Unigate, where he is group treasurer. **Mr Michael James** has become director of finance (operations) in succession to **Mr Paul Fishburn**, who is retiring.

*

THE BRITISH FRANCHISE ASSOCIATION has appointed **Mr Tony Dutfield**, who has been seconded to the Association from United Biscuits (UK), as its first salaried director in a full-time capacity from December 1.

*

HOSKYNS GROUP has appointed **Mr Steve Webb** as divisional director in the financial services division.

*

**Mr Christopher Rule** has been appointed company secretary of W.H.SMITH & SON (HOLDINGS). He joined the company in 1965, and has worked in both the retail and wholesale areas of the company. He was made company secretary designate last February.

*

SIMON ENGINEERING has appointed **Mr Robin Millard** as managing director of its Stoke-on-Trent subsidiary, Simon-Hartley, maker of specialised machinery for the treatment of sewage and industrial waste waters. He was deputy managing director of Tilghman Wheelbrator. **Mr John Corbishley** becomes director and general manager with special responsibilities for projects and contracts. At Henry Simon, Stockport, cereal milling and food processing engineers, **Mr Phil McMahon** has been made finance director and company secretary. He was finance manager.

*

The TULLOCH GROUP, part of Alfred McAlpine Minerals, has made the following board appointments: **Mr David Philip**, director resonsible for building work, joins the main board of A.Tulloch & Sons (Holdings) and becomes managing director of Tulloch Construction and Corrie Industrial Services. **Mr Ian Beveridge**, formerly chief estimator for the construction company, joins the board of Tulloch Construction. **Mr Robert Hetherington** is appointed to the board of Tulloch Quarries. **Mr Alan Henderson** joins the board of Tulloch Plant and **Mr Neil Cameron** is promoted to the Tulloch Construction board.

*

PULSE TRAIN MARKETING SYSTEMS has appointed **Mr Geoff Leary** as managing director. He joins from MAI Basic Four where he was sales and marketing director.

**Mr Ian Courts, who becomes managing director of John Laing Developments**

JOHN LAING DEVELOPMENTS has appointed **Mr Ian Courts** as managing director, with **Mr Mark Taylor** and **Mr Ernest Airey** as assistant managing directors. Mr Courts was assistant managing director. Mr Taylor remains finance director and Mr Airey was regional manager in Manchester.

*

**Mr James Murray**, formerly with Butterball Foods, has joined PATERSON-BRONTE as sales and marketing director.

**Mr Roger Rix** has been appointed chief executive of Berrows Newspaper Group and joins the board of REED REGIONAL NEWSPAPERS. He joined Berrows in 1982. **Mr George Downie** has been appointed chairman of the recently acquired Independent Group of Free Newspapers. He also becomes a director of Southern Counties Newspapers. He was managing director of South West Counties Newspapers. **Mr Gerry Ablett**, chairman and managing director of Three Counties Typesetters and Printers, has been appointed to Berrows Newspaper Group Board. Berrows newspapers publishing executives **Mr Brian Devall, Mr John Hardeman, Mr Alan Josephson** and **Mr Roger Roach** have also been appointed to the group board.

*

**Mr Peter Yates** has been appointed chief executive of SWAINS PACKAGING, part of the Jefferson Smurfit Group. He was deputy chief executive at Sanderson & Clayton.

*

THE BRITISH SHOE CORPORATION has appointed **Mr Andrew Leslie** and **Mr Ed Spetter** to the main board. Mr Leslie joins as managing director of the fashion sector. Mr Spetter will have responsibility for the European sector. He is managing director of BSC's Dutch companies.





## FINANCIAL TIMES CONFERENCES

**CIVIL AVIATION IN THE PACIFIC BASIN**

The Pacific Basin, civil aviation's fastest growing air transport arena, is the subject of the Financial Times conference to be held in Singapore on 25 and 26 January 1988. The rapid growth in the region is already imposing strains upon the airlines, airports and the aviation infrastructure overall. It will generate a massive demand for new aircraft and the money with which to buy them for many years to come. The aim of this '88 conference is to define thes problems and indicate possible developments and solutions.

Contributors to the debate include Dr Chaong Choong Kong, Singapore Airlines, Mr Mitsunari Kawano, Japan Air Lines, Mr Frederick Bradley, Jr, Senior Vice President of Citibank NA, Mr Michael Jones, Director of the Hongkong Bank Group, Mr Horst Pohlman, Vice President of Pratt & Whitney and Mr Sydney Gillibrand, Managing Director of British Aerospace. The conference has been timed to precede the Asian Aerospace '88 Exhibition, which will be held at Singapore Changi Airport, 27-31 January.

**THE FT CITY SEMINAR**

The Financial Times City Seminars have been very successful and 11, 12 & 15 February 1988 are the dates for the sixth briefing on the changing structure of the City of London. The agenda includes discussion of the major markets, players and developments in the business environment. An assessment of how the City withstood the storms of recent weeks will be included.

Mr Win Bishoff of Schroders returns to the platform as opening speaker and among the other contributors on this occassion are Mr John Matthews of County NatWest Ltd, Mr Robert Guy of N M Rothschilds, Mrs Francesca Edwards of Morgan Guarantee Ltd, Mr John Atkin of Citibank, Mr David Suratgar of Morgan Grenfell, Mr Peter Rawlins of R W Sturge and Mr George Nissen of the Securities Association. Mr Marc Lee, Financial Times Conference Adviser, is to chair and the Rt Hon John Smith MP, Opposition Treasury Spokesman and Mr J A Donaldson, formerly of ICI, are two of the non-city speakers who will be addressing the seminar. This programme is particularly suitable for company training schemes and the Conference Organisation will be pleased to discuss block bookings.

**CABLE TELEVISION AND SATELLITE BROADCASTING**

The Financial Times sixth conference on Cable Television and Satellite Broadcasting, to be held in London on 17 and 18 February, brings together speakers from the main European Markets to review the future of the new media at a critical turning point in their development.

The Rt Douglas Hurd, CBE, MP is to give the opening address and will speak on creating a broadcasting structure for the next century. Mr Michael Checkland, Mr Anthony Simonds-Gooding, Mr Richard Dunn, M. Cyrille Du Peloux and Mr Jurgen Dotx are among the distinguished panel of speakers who will review the changes that are taking place in the whole media scene.

All enquiries should be addressed to:
The Financial Times Conference Organisation,
2nd Floor, 126 Jermyn Street, London SW1Y 4UJ.
Tel: 01-925 2323 (24-hour answering service)
Telex: 27347 FT CONF G Fax: 01-925 2125





















## FINANCIAL TIMES STOCK INDICES

| | Nov. 27 | Nov. 26 | Nov. 25 | Nov. 24 | Nov. 23 | Nov. 20 | 1987 High | 1987 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Government Secs. | 89.95 | 89.80 | 89.80 | 90.45 | 90.61 | 91.03 | 93.32 | 83.73 | 127.4 | 49.18 |
| Fixed Interest | 96.46 | 95.94 | 95.54 | 95.73 | 95.91 | 95.64 | 99.12 | 90.23 | 105.4 | 50.53 |
| Ordinary | 1308.2 | 1314.4 | 1316.6 | 1335.2 | 1309.4 | 1285.7 | 1926.6 | 1232.0 | 1926.2 | 49.4 |
| Gold Mines | 320.0 | 330.9 | 327.8 | 312.3 | 293.0 | 287.2 | 497.5 | 261.6 | 734.7 | 43.5 |
| FT-Act All Share | 831.00 | 834.64 | 834.85 | 844.66 | 829.64 | 818.26 | 1238.57 | 813.85 | 1238.57 | 61.92 |
| FT-SE 100 | 1651.6 | 1660.7 | 1664.1 | 1609.1 | 1657.7 | 1633.4 | 2443.4 | 1608.1 | 2443.4 | 986.9 |

# WORLD STOCK MARKETS

## AUSTRIA

## BELGIUM/LUXEMBOURG

## DENMARK

## FINLAND

## FRANCE

## ITALY

## GERMANY

## NETHERLANDS

## NORWAY

## SPAIN

## SWEDEN

## SWITZERLAND

## SOUTH AFRICA

## AUSTRALIA

## SINGAPORE

## JAPAN

## HONG KONG

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner

## CANADA

### TORONTO
Closing prices November 27

### MONTREAL
Closing prices November 27

## OVER-THE-COUNTER

Nasdaq national market, Closing prices, November 27

Continued from Page 39

# Indices

## NEW YORK

### DOW JONES

| | Nov. 27 | Nov. 25 | Nov. 24 | Nov. 23 | 1987 High | 1987 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|---|
| ◆Industrials | 1910.48 | 1946.95 | 1963.53 | 1923.08 | 2722.42 (25/8) | 1738.42 (19/10) | 2722.42 (25/8/87) | 41.22 (2/7/32) |
| Home Bonds | 86.55 | [illegible] | [illegible] | 87.12 | 95.51 | 81.26 (19/10) | - | - |
| Transport | 728.45 | 737.45 | 740.71 | 726.29 | 1101.16 (14/8) | 674.92 (26/10) | 1101.16 (14/8/87) | 12.32 (8/7/32) |
| Utilities | 180.18 | 180.54 | 182.20 | 181.72 | 227.83 (22/1) | 160.98 (19/10) | 227.83 (22/1/87) | 10.50 (8/4/32) |

◆Day's High 1935.24 (1982.59) Low 1907.00 (1935.60)

### STANDARD AND POOR'S

| | Nov. 27 | Nov. 25 | Nov. 24 | Nov. 23 | 1987 High | 1987 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|---|
| Composite ‡ | 240.34 | 244.10 | 246.39 | 242.99 | 336.77 (25/8) | 224.99 (19/10) | 336.77 (25/8/87) | 4.40 (1/6/32) |
| Industrials | 275.24 | 279.86 | 282.36 | 278.01 | 393.17 (25/8) | 257.81 (19/10) | 393.17 (25/8/87) | 3.62 (21/6/32) |
| Financials | 21.90 | 22.37 | 22.64 | 22.44 | 32.43 (25/8) | 21.77 (19/10) | 32.43 (25/8/87) | 8.64 (1/10/74) |
| NYSE Composite | 135.16 | 136.90 | 137.93 | 136.13 | 187.99 (25/8) | 127.88 (26/10) | 187.99 (25/8/87) | 4.46 (25/4/42) |
| Amex Mkt. value | 250.97 | 249.71 | 276.02 | 243.81 | 365.01 (13/8) | 234.01 (28/10) | 365.01 (13/8/87) | 29.31 (9/12/72) |
| NASDAQ OTC Comp | 316.47 | 317.78 | 316.68 | 313.13 | 455.26 (26/8) | 291.90 (28/10) | 455.26 (26/8/87) | 54.87 (31/10/72) |

| | Nov. 20 | Nov. 13 | Nov. 6 | year ago (approx.) |
|---|---|---|---|---|
| Dow Industrial Div. Yield | 3.58 | 3.54 | 3.47 | 3.64 |
| | Nov. 25 | Nov. 18 | Nov. 11 | year ago (approx.) |
| S & P Industrial div. yield | (u) | 3.14 | 3.19 | 2.96 |
| S & P P/E ratio | (u) | 15.52 | 15.23 | 17.73 |

### TRADING ACTIVITY

† Volume (Millions)

| | Nov. 27 | Nov. 25 | Nov. 24 |
|---|---|---|---|
| New York | 86.540 | 159.790 | 200.319 |
| Amex | 7.160 | 9.621 | 13.980 |
| OTC | 64.780 | 113.248 | 128.919 |

NEW YORK

| | Nov. 27 | Nov. 25 | Nov. 24 |
|---|---|---|---|
| Issues Traded | 1,891 | 1,942 | 1,982 |
| Rises | 511 | 738 | 1,141 |
| Falls | 942 | 815 | 489 |
| Unchanged | 438 | 389 | 352 |
| New Highs | 7 | 3 | 7 |
| New Lows | 30 | 46 | 49 |

## CANADA

TORONTO

| | Nov. 27 | Nov. 26 | Nov. 25 | Nov. 24 | 1987 High | 1987 Low |
|---|---|---|---|---|---|---|
| Metals & Minerals | 2530.7 | 2558.1 | 2514.1 | 2451.8 | 3507.5 (5/10) | 1988.2 (2/1) |
| Composite | 3086.2 | 3075.5 | 3028.0 | 2994.7 | 4112.9 (13/8) | 2843.9 (18/11) |
| MONTREAL Portfolio | 1526.39 | 1537.88 | 1515.50 | 1506.73 | 2224.77 (16/7) | 1436.94 (26/10) |

## NEW YORK ACTIVE STOCKS

| Friday | Stocks traded | Closing price | Change on day |
|---|---|---|---|
| Fst Intr Bk | 6,144,500 | 43⅝ | |
| Xerox | 1,760,600 | 56 | − ⅛ |
| Texaco | 1,366,000 | 35⅞ | + 2⅞ |
| Homestake | 1,066,600 | 19⅝ | + 2 |
| Fla Prog | 1,059,300 | 34⅝ | |
| Gen Elec | 1,044,800 | 43⅝ | − 1⅝ |
| IBM | 922,500 | 114⅝ | − 2⅞ |
| Exxon | 881,700 | 39⅜ | |
| Pfizer Dom | 864,600 | 15⅝ | + 1½ |
| Amer Expr | 838,400 | 25⅝ | − ⅛ |

| | Nov. 27 | Nov. 26 | Nov. 25 | Nov. 24 | 1987 High | 1987 Low |
|---|---|---|---|---|---|---|
| **AUSTRALIA** | | | | | | |
| All Ordinaries (1/1/80) | 1321.9 | 1311.8 | 1297.3 | 1266.1 | 2305.9 (21/9) | 1151.0 (11/11) |
| Metals & Minerals (1/1/80) | 762.7 | 749.6 | 722.4 | 689.3 | 1462.4 (14/10) | 586.9 (11/11) |
| **AUSTRIA** | | | | | | |
| Credit Aktien (30/12/84) | 182.20 | 180.06 | 182.45 | 181.32 | 232.19 (22/9) | 172.01 (11/11) |
| **BELGIUM** | | | | | | |
| Brussels SE (1/1/84) | 3802.5 | 3829.8 | 3844.18 | 3831.7 | 5412.2 (13/8) | 3527.5 (30/10) |
| **DENMARK** | | | | | | |
| Copenhagen SE (3/1/83) | (u) | 184.05 | 183.60 | 182.70 | 219.76 (27/8) | 179.60 (20/11) |
| **FINLAND** | | | | | | |
| Unitas General (1975) | 575.1 | 574.7 | 571.2 | 567.9 | 679.1 (15/10) | 425.2 (5/1) |
| **FRANCE** | | | | | | |
| CAC General (31/12/82) | 296.5 | 298.6 | 302.3 | 295.8 | 460.4 (26/3) | 284.5 (12/11) |
| Ind. Tendance (31/12/86) | 77.6 | 77.9 | 78.3 | 78.1 | 117.2 (26/3) | 69.7 (10/11) |
| **GERMANY** | | | | | | |
| FAZ Aktien (31/12/58) | 444.42 | 440.81 | 449.97 | 450.52 | 676.84 (6/1) | 400.13 (10/11) |
| Commerzbank (1/12/53) | 1359.6 | 1349.2 | 1373.6 | 1376.4 | 2061.1 (17/8) | 1220.9 (10/11) |
| **HONG KONG** | | | | | | |
| Hang Seng Bank (31/7/64) | 2194.19 | 2179.58 | 2184.41 | 2134.84 | 3949.73 (1/10) | 1960.90 (5/11) |
| **ITALY** | | | | | | |
| Banca Com. Ital. (1972) | 532.30 | 523.77 | 516.15 | 509.71 | 767.34 (30/4) | 476.27 (10/11) |
| **JAPAN **** | | | | | | |
| Nikkei (16/5/49) | 23268.20 | 23282.19 | 23219.69 | 22856.02 | 26646.43 (14/10) | 18544.00 (13/1) |
| Tokyo SE New (4/1/68) | 1895.21 | 1902.47 | 1898.00 | 1866.11 | 2258.56 (11/6) | 1557.46 (13/1) |
| **NETHERLANDS** | | | | | | |
| ANP-CBS General (1970) | 213.3 | 214.6 | 216.7 | 216.2 | 334.1 (14/8) | 192.2 (10/11) |
| ANP-CBS Industrial (1970) | 164.8 | 166.2 | 168.7 | 169.4 | 280.8 (11/8) | 147.5 (10/11) |
| **NORWAY** | | | | | | |
| Oslo SE (4/1/83) | 351.00 | 348.26 | 335.15 | 353.89 | 592.00 (21/9) | 307.48 (10/11) |
| **SINGAPORE** | | | | | | |
| Straits Times Ind. (30/12/66) | 814.80 | 818.50 | 822.70 | 818.40 | 1505.4 (26/8) | 788.8 (11/11) |
| **SOUTH AFRICA** | | | | | | |
| JSE Gold (28/9/78) | (u) | 1729.0 | 1702.0 | 1660.0 | 2499.0 (3/8) | 1448.0 (5/11) |
| JSE Industrial (28/9/78) | (u) | 1433.0 | 1424.0 | 1416.0 | 2266.0 (16/10) | 1402.0 (23/11) |
| **SPAIN** | | | | | | |
| Madrid SE (30/12/85) | 214.46 | 212.54 | 212.48 | 209.25 | 325.44 (6/10) | 202.89 (8/5) |
| **SWEDEN** | | | | | | |
| Jacobson & P. (31/12/56) | 2236.70 | 2261.70 | 2304.20 | 2282.40 | 3550.40 (9/10) | 2060.60 (10/11) |
| **SWITZERLAND** | | | | | | |
| Swiss Bank Ind. (31/12/58) | 494.8 | 496.9 | 493.7 | 494.9 | 729.7 (5/10) | 458.9 (10/11) |
| **WORLD** | | | | | | |
| M.S. Capital Intl. (1/1/70) | (u) | 403.6 | 403.8 | 400.1 | 495.9 (27/8) | 361.3 (2/1) |

** Saturday November 28 Japan Nikkei (c), TSE (c)

Base values of all indices are 100 except Brussels SE – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Metals – 500; NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 utilities, 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

*Closing prices, November 27*

# NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

| 12 Month High | 12 Month Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 25⅜ | 14¾ | AAR s | .36 | 2.1 | 18 | 52 | 18 | 17½ | 17½ | −⅜ |
| 32½ | 18¼ | AFG s | .16 | .6 | 8 | 78 | 24⅝ | 24½ | 24⅝ | −¼ |
| 27 | 10½ | AGS s | | | 13 | 64 | 15⅝ | 15⅜ | 15⅝ | +⅛ |
| 10½ | 6½ | AMCA | | | | 4 | 6⅞ | 6¾ | 6¾ | −¼ |
| 9⅞ | 3¼ | AM Intl | | | 44 | 1136 | 4⅞ | 4⅝ | 4⅞ | +¼ |
| 65½ | 28½ | AMR | | | 9 | 4013 | 32⅞ | 31 | 31 | −1⅞ |
| 27½ | 24⅞ | ANR pf 2.67 | | 11. | | 2 | 25¼ | 25¼ | 25¼ | −½ |
| 12¼ | 6⅞ | ARX s | | | 7 | 25 | 7¼ | 7 | 7⅛ | −⅛ |
| 73½ | 34½ | ASA | 2e | 3.6 | | 1989 | 55¾ | 51⅞ | 55¼ | +4 |
| 22⅝ | 9½ | AVX | | | 16 | 32 | 12⅞ | 12⅝ | 12⅞ | +⅛ |
| 67 | 40 | AbtLab | 1 | 2.2 | 18 | 1013 | 46¾ | 46⅛ | 46¼ | −⅜ |
| 28 | 15⅝ | Abitibi g | | | | 24 | 17¾ | 17¾ | 17¾ | |
| 16¾ | 6½ | AcmeC .40 | | 4.0 | 14 | 64 | 10 | 9¾ | 10 | +⅛ |
| 20 | 14⅛ | AdaEx 3.34e | | 20. | | 80 | 17 | 16⅝ | 16⅝ | −⅜ |
| 18½ | 7¾ | AdmM s .24 | | 2.6 | 7 | 13 | 9¼ | 9⅛ | 9⅛ | |
| 35 | 15⅛ | AdvSys | | | 17 | 41 | 25¼ | 25 | 25⅛ | +⅛ |
| 24⅞ | 9⅜ | AMD | | | | 2127 | 9⅞ | 9⅜ | 9⅜ | −½ |
| 56¾ | 30⅜ | AMD pf | 3 | 9.9 | | 134 | 30½ | d30¼ | 30⅜ | −¼ |
| 11⅞ | 4⅝ | Adobe | | | | 73 | 5¾ | 5½ | 5½ | |
| 20½ | 15½ | Adob pf 1.84 | | 11. | | 5 | 17¼ | 17¼ | 17¼ | |
| 21⅞ | 17 | Adob pf 2.40 | | 12. | | 11 | 20 | 20 | 20 | |
| 15 | 6⅛ | Advest .12a | | 1.4 | 6 | 91 | 8⅛ | 7⅞ | 8⅛ | +½ |
| 68¼ | 46 | AetnLf 2.76 | | 6.0 | 6 | 1541 | 46¾ | d45¾ | 45¾ | −⅜ |
| 83½ | 33 | AflPb s .32 | | .7 | 7 | 240 | 45 | 44⅝ | 45 | +⅛ |
| 26⅞ | 14⅛ | Ahmans .88 | | 6.2 | 6 | 765 | 14⅜ | 14¼ | 14¼ | −½ |
| 5⅜ | 1¾ | Aileen | | | | 6 | 2¼ | 2¼ | 2¼ | |
| 53⅞ | 29 | AirPrd | 1 | 2.8 | 10 | 1990 | 36⅜ | 35½ | 35½ | −½ |
| 36 | 11½ | AirbFrt .60 | | 4.5 | 8 | 111 | 13½ | 13¼ | 13⅜ | −⅛ |

Continued on Page 39

# NYSE COMPOSITE CLOSING PRICES

Continued from Page 38

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.



# AMEX COMPOSITE CLOSING PRICES

*Closing prices, November 27*

# OVER-THE-COUNTER

*Nasdaq national market, Closing prices, November 27*

Continued on Page 37

## FOREIGN EXCHANGES

# Dollar set to continue its long term slide

BY COLIN MILLHAM

A SHARP weakening of the dollar on Friday came as something of a surprise. Holidays in Japan on Monday and the US on Thursday had created the impression that the market was content to drift until a full working week provided more trading opportunities.

This week may not give any more incentive to the market, but if Friday can be regarded as any great test of sentiment the dollar may be poised to test even lower levels.

Statistical news has proved less important to determining the dollar's future over the last two years or so, mainly because sentiment turned against the currency at the time of the Group of Five meeting in New York during late September 1985.

Before then any slight deviation from the forecast economic news was more likely to decide whether the dollar rose or fell.

Over the last two years the twin US deficits on trade and the budget have insured only a downward direction for the dollar. Attempts to stabilise the foreign exchanges have always suffered from a belief in the market that the Reagan Administration was paying no more than lip service to any agreement on preventing a dollar fall.

The deal on US budget cuts must still be ratified by Congress, and even then may not be a strong enough incentive to encourage a Group of Seven accord on a general lowering of interest rates to support the dollar.

Last week's reduction in West German, French and Dutch interest rates appeared to be more a reaction to European needs, and the wish to take pressure off the European Monetary System, than any sign of satisfaction at the US budget package.

*As such it seems to have backfired.* Lower German rates were intended to discourage the flow of funds out of the dollar into the D-Mark, but the cut in French rates appears to have had a greater impact on the franc, which finished on Friday only slightly above the lira at *the bottom of the EMS.*

The US budget agreement and lower European interest rates failed to prevent the dollar falling to record lows on Friday, and in the absence of a sudden change in sentiment there seems little prospect of a change of direction this week.

US unemployment data for November are likely to provide the most important guide to the US economy this week, but will probably not change the tone.

The market expects an unchanged unemployment rate of 6 p.c., and a rise in non-farm payrolls of 130,000 to 135,000, compared with 549,000 in October.

Leading indicators for October are published tomorrow, and will show a fall according to most forecasts.

Morgan Grenfell says the dominant components of the figure reflect past events, mainly the fall of share prices on Wall Street.

Forecasters are generally *looking for a fall of 0.3 p.c. in* leading indicators, but Morgan Grenfell expects a decline of 0.5 p.c.. Kleinwort Grieveson Securities agrees with this figure, while Phillips and Drew's forecast is in line with the general market view, and Nomura Research Institute goes for an unchanged figure.

### £ IN NEW YORK

| Nov.27 | Close | Previous Close |
|---|---|---|
| £ Spot | 1.8130-1.8140 | 1.7920-1.7925 |
| 1 month | 0.18-0.17pm | 0.34-0.33pm |
| 3 months | 0.58-0.55pm | 0.66-0.63pm |
| 12 months | 1.77-1.69pm | 1.70-1.67pm |

Forward premiums and discounts apply to the US dollar

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu central rates | Currency amounts against Ecu Nov.27 | % change from central rate | % change adjusted for divergence | Divergence limit % |
|---|---|---|---|---|---|
| Belgian Franc | 42.4582 | 43.1419 | +1.61 | +0.80 | ±1.5344 |
| Danish Krone | 7.85212 | 7.95762 | +1.34 | +0.53 | ±1.5404 |
| German D-Mark | 2.05853 | 2.06212 | +0.17 | -0.64 | ±1.0982 |
| French Franc | 6.90403 | 7.01843 | +1.66 | +0.85 | ±1.3674 |
| Dutch Guilder | 2.31943 | 2.32058 | +0.05 | -0.76 | ±1.5012 |
| Irish Punt | 0.768411 | 0.776618 | +1.07 | +0.26 | ±1.6684 |
| Italian Lira | 1483.58 | 1523.08 | +2.66 | +2.29 | ±4.0752 |

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

### STERLING INDEX

| | Nov.27 | Previous |
|---|---|---|
| 8.30 am | 76.0 | 75.7 |
| 9.00 am | 76.0 | 75.8 |
| 10.00 am | 75.9 | 75.8 |
| 11.00 am | 76.0 | 75.7 |
| Noon | 76.0 | 75.7 |
| 1.00 pm | 76.0 | 75.8 |
| 2.00 pm | 76.0 | 75.8 |
| 3.00 pm | 76.0 | 75.8 |
| 4.00 pm | 76.0 | 75.7 |

### POUND SPOT- FORWARD AGAINST THE POUND

| Nov.27 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| US | 1.8020-1.8110 | 1.8095-1.8105 | 0.19-0.16cpm | 1.16 | 0.58-0.53pm | 1.23 |
| Canada | 2.3617-2.3692 | 2.3670-2.3680 | 0.02-0.12cdis | -0.35 | 0.08dis-0.05pm | -0.03 |
| Netherlands | 3.36¼-3.37¼ | 3.36¼-3.37¼ | 1½-1¼cpm | 4.68 | 3⅝-3½pm | 4.01 |
| Belgium | 62.45-62.75 | 62.65-62.75 | 20-10cpm | 2.87 | 40-25pm | 2.07 |
| Denmark | 11.52¾-11.57 | 11.56-11.57 | 1½-3½oredis | -2.59 | 1½-4dis | -1.02 |
| Ireland | 1.1085-1.1300 | 1.1265-1.1275 | 0.03-0.04cdis | -0.37 | 0.04-0.12dis | -0.28 |
| W. Germany | 2.99-3.00 | 2.99-3.00 | 1½-1¼pfpm | 5.51 | 3⅞-3½pm | 4.92 |
| Portugal | 243.00-245.10 | 243.05-244.05 | 93-133cdis | -5.57 | 286-381dis | -5.48 |
| Spain | 201.45-202.17 | 201.60-201.90 | 95-130cdis | -6.69 | 260-300dis | -5.55 |
| Italy | 2203-2216 | 2207½-2208½ | par-6liredis | -1.63 | 10-20dis | -2.72 |
| Norway | 11.58¾-11.64¼ | 11.63¾-11.64¾ | 5¾-7¼oredis | -6.64 | 18¼-20dis | -6.57 |
| France | 10.16-10.19½ | 10.17¾-10.18¾ | ¼pm-¼cdis | - | ¼pm-1½dis | -0.17 |
| Sweden | 10.84¾-10.89¾ | 10.88¾-10.89¾ | ¼pm-¾oredis | -0.55 | 1½-2dis | -0.46 |
| Japan | 241½-242½ | 241½-242½ | 1½-1⅛ypm | 4.96 | 3-2½pm | 4.55 |
| Austria | 21.05-21.11 | 21.07-21.10 | 8½-7⅛gropm | 4.55 | 24-20½pm | 4.24 |
| Switzerland | 2.45¾-2.46¾ | 2.45¾-2.46¾ | 1½-1¼cpm | 5.19 | 3⅞-2½pm | 4.78 |

Belgian rate is convertible francs. Financial franc 63.05-63.15. Six-month forward dollar 1.08-1.03cpm. 12-month 1.75-1.65cpm.

### CURRENCY RATES

| Nov.27 | Bank rate % | Special Drawing Rights | European Currency Unit |
|---|---|---|---|
| Sterling | - | N/A | 0.689138 |
| U.S Dollar | 6 | - | 1.24562 |
| Canadian $ | 8.75 | - | 1.63051 |
| Austrian Sch. | 4 | N/A | 14.5164 |
| Belgian Franc | 7½ | - | 43.1419 |
| Danish Krone | 7 | - | 7.95762 |
| Deutsche Mark | 3 | - | 2.06212 |
| Neth.Guilder | 4 | - | 2.32058 |
| [illegible] | [illegible] | [illegible] | [illegible] |

*CS/SDR rate for Nov.26 N/A

### CURRENCY MOVEMENTS

| Nov.27 | Bank of England Index | Morgan Guaranty Changes % |
|---|---|---|
| [illegible] | [illegible] | [illegible] |

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

### OTHER CURRENCIES

| | £ | $ |
|---|---|---|
| [illegible] | [illegible] | [illegible] |

*Selling rate

### FORWARD RATES AGAINST STERLING

| | Spot | 1 mth | 3 mths | 6 mths | 12 mths |
|---|---|---|---|---|---|
| US Dollar | 1.8100 | 1.8083 | 1.8045 | 1.7995 | 1.7950 |
| D-mark | 2.9950 | 2.9810 | 2.9574 | 2.9224 | 2.8559 |
| French Fr. | 10.183 | 10.182 | 10.182 | 10.181 | 10.180 |
| Swiss Fr. | 2.4575 | 2.4469 | 2.4280 | 2.3986 | 2.3412 |
| Yen | 242.00 | 241.00 | 239.24 | 236.36 | 231.48 |

### DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

| Nov.27 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 34.85-34.90.

### EURO-CURRENCY INTEREST RATES

| Nov.27 | Short term | 7 Days notice | One Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Long term Eurodollars: two years 8¾-8⅝ per cent; three years 9-8⅞ per cent; four years 9⅛-9 per cent; five years 9¼-9⅛ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

### EXCHANGE CROSS RATES

| Nov.27 | £ | $ | DM | Yen | F Fr. | S Fr. | H Fl. | Lira | C $ | B Fr. |
|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| C $ | 0.422 | 0.765 | 1.265 | 102.2 | 4.301 | 1.038 | 1.422 | 932.6 | 1 | 26.48 |
| B Fr. | 1.595 | 2.887 | 4.777 | 386.0 | 16.24 | 3.919 | 5.371 | 3522 | 3.776 | 100 |

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

### LIFFE LONG GILT FUTURES OPTIONS

| Strike Price | Calls-Last Mar | Calls-Last Jun | Puts-Last Mar | Puts-Last Jun |
|---|---|---|---|---|
| 116 | 6.04 | 6.61 | 0.50 | 1.59 |
| 118 | 4.38 | 5.43 | 1.20 | 2.41 |
| 120 | 3.20 | 4.35 | 2.02 | 3.33 |
| 122 | 2.17 | 3.37 | 2.63 | 4.35 |
| 124 | 1.31 | 2.49 | 4.13 | 5.47 |
| 126 | 0.62 | 2.06 | 5.44 | 7.04 |
| 128 | 0.38 | 1.36 | 7.20 | 8.34 |
| 130 | 0.24 | 1.09 | 9.06 | 10.07 |

Estimated volume total, Calls 1024 Puts 65
Previous day's open int: Calls 17345 Puts 10378

### LIFFE US TREASURY BOND FUTURES OPTIONS

| Strike Price | Calls-Last Mar | Calls-Last Jun | Puts-Last Mar | Puts-Last Jun |
|---|---|---|---|---|
| 82 | 5.27 | 5.33 | 0.55 | 1.49 |
| 84 | 4.01 | 4.18 | 1.29 | 2.34 |
| 86 | 2.55 | 3.16 | 2.19 | 3.32 |
| 88 | 1.55 | 2.26 | 3.19 | 4.42 |
| 90 | 1.05 | 1.47 | 4.33 | 5.63 |
| 92 | 0.39 | 1.14 | 6.03 | 7.30 |
| 94 | 0.23 | 0.54 | 7.51 | 9.06 |
| 96 | 0.12 | - | 9.40 | - |

Estimated volume total, Calls 0 Puts 1
Previous day's open int: Calls 733 Puts 415

### LIFFE FT-SE 100 INDEX FUTURES OPTIONS

| Strike Price | Calls-Last Dec | Calls-Last Jun | Puts-Last Dec | Puts-Last Jun |
|---|---|---|---|---|
| 18000 | 1.08 | 3.70 | 14.78 | 14.38 |
| 18250 | 0.77 | - | 16.97 | - |
| 18500 | 0.53 | 2.58 | 19.23 | 18.18 |
| 18750 | 0.36 | - | 21.56 | - |
| 19000 | 0.24 | 1.71 | 23.94 | 22.31 |
| 19250 | 0.16 | - | 26.36 | - |
| 19500 | 0.10 | 1.11 | 28.80 | 26.71 |
| 19750 | 0.07 | - | 31.27 | - |

Estimated volume total, Calls 10 Puts 0
Previous day's open int: Calls 38 Puts 135

### LIFFE £/$ OPTIONS
£25,000 (cents per £1)

| Strike Price | Calls-Last Dec | Calls-Last Jan | Calls-Last Feb | Calls-Last Mar | Puts-Last Dec | Puts-Last Jan | Puts-Last Feb | Puts-Last Mar |
|---|---|---|---|---|---|---|---|---|
| 1.50 | 30.55 | - | - | 30.55 | 0.00 | - | [illegible] | [illegible] |
| 1.55 | 25.55 | 25.55 | - | 25.55 | 0.00 | 0.00 | [illegible] | [illegible] |
| 1.60 | 20.55 | 20.55 | - | 20.55 | 0.00 | 0.01 | [illegible] | [illegible] |
| 1.65 | 15.55 | 15.55 | 15.55 | 15.55 | 0.00 | 0.06 | [illegible] | [illegible] |
| 1.70 | 10.55 | 10.55 | 10.77 | 11.03 | 0.01 | 0.31 | [illegible] | [illegible] |
| 1.75 | 6.65 | 6.36 | 6.92 | 7.39 | 0.24 | 1.15 | [illegible] | [illegible] |
| 1.80 | 2.01 | 3.22 | 3.96 | 4.55 | 1.60 | 3.01 | [illegible] | [illegible] |

Estimated volume total, Calls 5 Puts 17
Previous day's open int: Calls 558 Puts 1388

### PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

| Strike Price | Calls-Last Dec | Calls-Last Jan | Calls-Last Feb | Calls-Last Mar | Puts-Last Dec | Puts-Last Jan | Puts-Last Feb | Puts-Last Mar |
|---|---|---|---|---|---|---|---|---|
| 1.650 | 15.80 | 15.80 | - | 15.85 | - | 0.15 | [illegible] | [illegible] |
| 1.675 | 13.30 | 13.30 | 13.50 | 13.55 | - | 0.25 | [illegible] | [illegible] |
| 1.700 | 10.80 | 10.95 | 11.25 | 11.40 | - | 0.45 | [illegible] | [illegible] |
| 1.725 | 8.30 | 8.70 | 9.15 | 9.40 | 0.05 | 0.50 | [illegible] | [illegible] |
| 1.750 | 5.95 | 6.75 | 7.25 | 7.70 | 0.10 | 1.00 | [illegible] | [illegible] |
| 1.775 | 3.75 | 4.95 | 5.60 | 6.10 | 0.40 | 1.70 | [illegible] | [illegible] |
| 1.800 | 2.20 | 3.55 | 4.15 | 4.75 | 1.05 | 2.55 | [illegible] | [illegible] |

Previous day's volume, Calls N/A Puts N/A
Previous day's open int: Calls N/A Puts N/A

### LONDON

#### 20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Dec | 121-02 | 121-05 | 120-26 | 120-19 |
| Mar | 121-09 | 121-11 | 121-00 | 120-24 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

#### 6% NOTIONAL LONG TERM JAPANESE GOVT. BOND ¥100m 100ths of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

#### THREE MONTH STERLING
£500,000 points of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

#### FT-SE 100 INDEX
£25 per full index point

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

#### THREE MONTH EURODOLLAR
$1m points of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

#### U.S. TREASURY BONDS 8%
$100,000 32nds of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Mar | 86-18 | 86-22 | 86-11 | 86-26 |
| Jun | 85-24 | - | - | 86-00 |

Estimated Volume 4353(1898)
Previous day's open int. 6045 (6430)

### CURRENCY FUTURES

#### POUND-$ (FOREIGN EXCHANGE)

| Spot | 1-mth. | 3-mth. | 6-mth. | 12-mth. |
|---|---|---|---|---|
| 1.8100 | [illegible] | [illegible] | [illegible] | [illegible] |

#### IMM-STERLING $ per £

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

#### LIFFE-STERLING £25,000 $ per £

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### CHICAGO

#### U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

#### U.S. TREASURY BILLS (IMM) $1m points of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

#### STANDARD & POORS 500 INDEX

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

#### SWISS FRANC (IMM) SFr 125,000 $ per SFr

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

#### JAPANESE YEN (IMM) Y12.5m $ per Y100

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

#### DEUTSCHE MARK (IMM) DM125,000 $ per DM

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

#### THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### EUROPEAN OPTIONS EXCHANGE

| Series | | Vol | Last | Vol | Last | Vol | Last | Stock |
|---|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

TOTAL VOLUME IN CONTRACTS : 21,730

### BASE LENDING RATES

| | | | |
|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] |

### FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

| NATIONAL AND REGIONAL MARKETS | FRIDAY NOVEMBER 27 1987 US Dollar Index | Day's Change % | Pound Sterling Index | Local Currency Index | Gross Div. Yield | THURSDAY NOVEMBER 26 1987 US Dollar Index | Pound Sterling Index | Local Currency Index | DOLLAR INDEX 1987 High | 1987 Low | Year ago (approx) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| World Ex. Japan (1948) | 99.28 | -0.5 | 81.32 | 93.27 | 3.84 | 99.81 | 82.46 | 94.02 | 134.22 | 95.64 | 100.13 |
| The World Index (2405) | 113.04 | -0.2 | 92.59 | 102.24 | 2.51 | 113.26 | 93.57 | 102.89 | 139.73 | 100.00 | 97.25 |

Base values: Dec 31, 1986 = 100
Copyright, The Financial Times, Goldman, Sachs & Co., Wood Mackenzie & Co. Ltd.1987
*Constituent changes:Deletions:New Zealand Steel,Wattie Inds. and UEB Inds.(New Zealand).Name changes:Goodman Fielder to Goodman Fielder Wattie(Australia) and Amoy Canning to Amoy Prop(Hong Kong).*

## MONEY MARKETS

# Strong pound points to lower rates

**UK clearing bank base lending rate 9 per cent from November 5**

CUTS IN European interest rates last week led to speculation that the Bank of England may soon agree to a reduction in UK bank base rates.

Such an arguement appeared to have little credibility until Friday, when sterling rose above $1.80, for the first time in 5½ years.

Faced with a very large money market shortage of £1.75bn, and the reluctance of the discount houses to sell bills outright at the existing official dealing rate, the Bank of England provided over half its daily assistance through repurchase agreements on bills.

Nomura suggested the authorities wish to maintain exchange rate stability with the D-Mark implies little scope near term for a cut in UK rates, but questioned whether this is desirable.

Nomura also questioned whether Mrs Thatcher, the Prime Minister, was right, when she said in a Financial Times interview, that "everyone is geared to the D-Mark, save us."

As part of this view Nomura said the 5 p.c. premium for Eurosterling over D-Marks reflected overseas perception of sterling as a risky and volatile currency.

It added that while the Prime Minister remains opposed to joining the EMS, the option of depreciating sterling at some stage, in order to boost exports and output, is clearly near the top of the economic agenda.

### FT LONDON INTERBANK FIXING

| (11.00 a.m. Nov.27) 3 months US dollars | | 6 months US Dollars | |
|---|---|---|---|
| bid 7⅝ | offer 7¾ | bid 7⅝ | offer 7¾ |

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

### MONEY RATES

#### NEW YORK
*(4pm)*

| | | Treasury Bills and Bonds | | | |
|---|---|---|---|---|---|
| Prime rate | 8.75 | One month | 4.32 | Three year | 8.14 |
| Broker loan rate | 8.00 | Two month | 4.64 | Four year | 8.38 |
| Fed.funds | 6⅞-7 | Three month | 5.78 | Five year | 8.47 |
| Fed.funds at intervention | [illegible] | Six month | 6.50 | Seven year | 8.90 |
| | | One year | 7.09 | 10-year | 9.10 |
| | | Two year | [illegible] | 30-year | 9.16 |

| Nov.27 | Overnight | One Month | Two Months | Three Months | Six Months | Lombard Intervention |
|---|---|---|---|---|---|---|
| Frankfurt | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 4.50 |
| Paris | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 8.00 |
| Zurich | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | - |
| Amsterdam | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | - |
| Tokyo | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | - |
| Milan | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | - |
| Brussels | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | - |
| Dublin | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | - |

### LONDON MONEY RATES

| Nov.27 | Overnight | 7 days notice | One Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### BANK OF ENGLAND TREASURY BILL TENDER

| | Nov.27 | Nov.20 | | Nov.27 | Nov.20 |
|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### WEEKLY CHANGE IN WORLD INTEREST RATES

| | | change | | | change |
|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |



NOTICE TO HOLDERS OF

**TDK CORPORATION**

**Bearer Warrants to Subscribe for Shares of Common Stock of TDK Corporation in conjunction with an issue of U.S. $150,000,000 3¾ per cent. Bonds 1991 (the "Warrants")**

Pursuant to Condition 7 of the Terms and Conditions of the Warrants, notice is hereby given that, because of the issuance of new Convertible Bonds on November 30, 1987, the subscription price of the Warrants has been adjusted as follows:

1. The subscription price of the Warrants in effect before such adjustment was Yen 3,680 per share of Common Stock, and the adjusted subscription price of the Warrants is Yen 3,667.10 per share of Common Stock.

2. Such adjustment took effect as of November 30, 1987, Tokyo time, pursuant to clause 3(v) of the Instrument for the Warrants.

**TDK CORPORATION**
By: The Bank of Tokyo Trust Company as Disbursement Agent

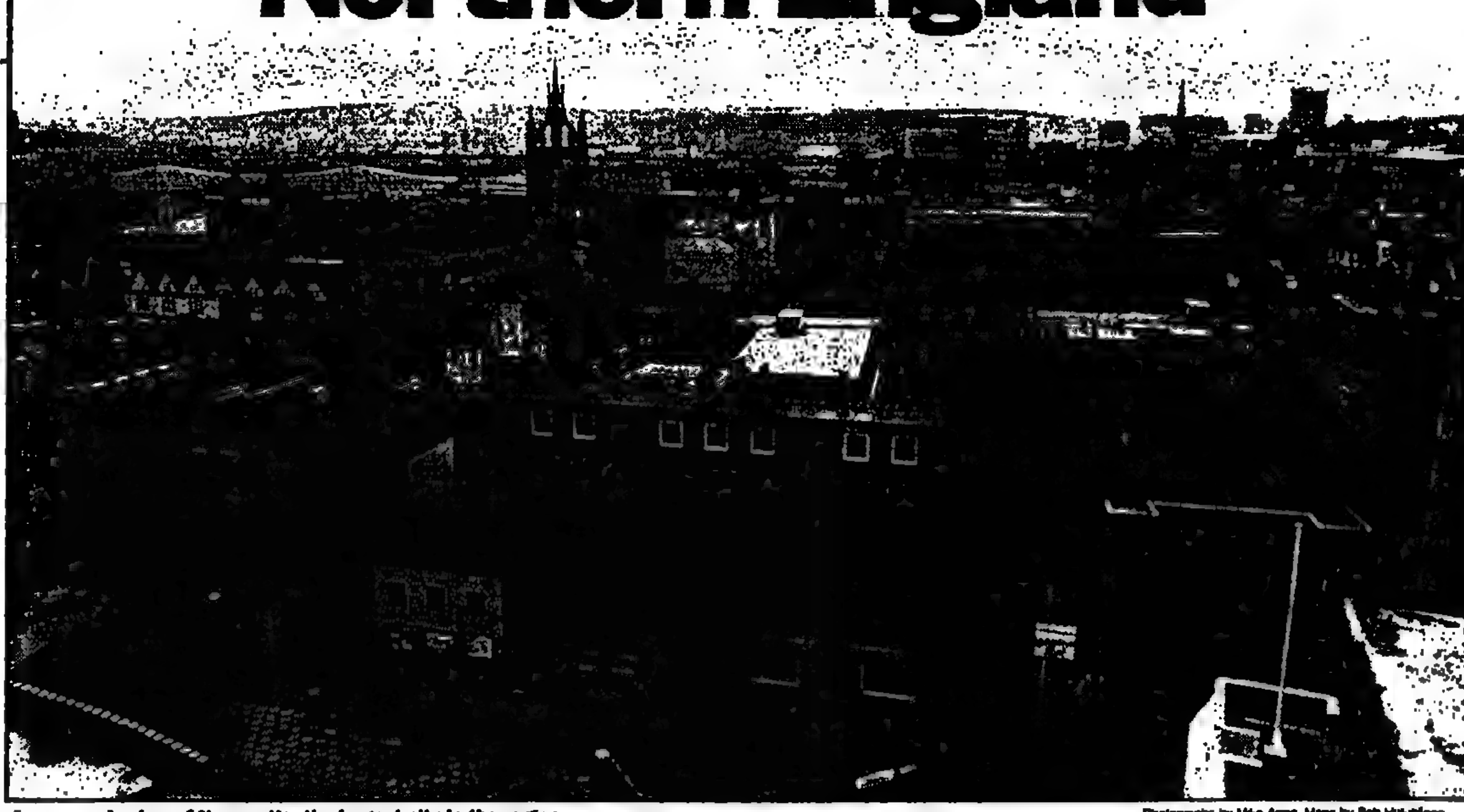
Dated: November 30, 1987

SECTION III

# FINANCIAL TIMES SURVEY

# Northern England

Though the North is lagging behind two other northern economic regions, the North-West and Yorkshire-Humberside, in terms of recovery, there are signs of a strong fighting spirit. Nevertheless, there is still much more that needs to be done, reports **Ian Hamilton Fazey**



A panoramic view of Newcastle, the largest city in the region.

Photographs by Mike Arron. Maps by Bob Hutchison.

## Perspective on 'success'

THERE ARE many good stories from what the Government calls the "standard North" region of England - the belt that straddles the North Pennines and is made up of the North-East and Cumbria.

Consett, hit by steel closures seven years ago, is back from the dead. Biotechnology is thriving. Nissan is expanding. The American, Japanese, German and Scandinavian industrial cavalry has been arriving with jobs. NEI is making good profits. The Fisherman's Lodge, in leafy Jesmond Dene in Newcastle, is a world-class restaurant.

There are two new urban development corporations. The local authorities and the private sector have formed the Northern Development Company. Venture capital funds are discovering many small companies worth investing in. Porsche sales are up and among the highest in Britain. The MetroCentre has caused a retailing revolution.

One Cabinet Minister, opening a factory this month, wondered aloud when the massive Government aid that is there to encourage jobs into the region could be tapered off.

To some who heard him, and hoped he was joking, this illustrated the dangers of hyping small successes, for the North-East portion of the "standard North" is still in deep trouble. The unemployment figures say much about what is happening.

The rate now stands at 13.7 per cent and the numbers out of work have been falling by between 1,000 and 4,000 a month for the last 19 consecutive months. It looks more than encouraging, until the figures are probed a little.

For example, compare what is happening in the most rapidly recovering part of the North as a whole - the North-West region of Greater Manchester, Merseyside, Cheshire and Lancashire, where unemployment has been falling at a sustained rate of nearly 40,000 a month.

At 3.25m people the "standard North" is only the size of Wales and half as big as the North-West. But it would need to do 10 times better to match the North-West's performance, an unrealistic, unrealisable goal at present.

The picture becomes worse when the performance of the North-East is matched with Cumbria's, for unemployment west of the North Pennines is now down to 9.2 per cent.

Grouping Cumbria into the "standard North" therefore conveys a false impression of unemployment rates. The figures for the North-East show a much less rosy picture. Among men the rate is nearly 21 per cent and the combined one for men and women is 16.4 per cent.

Even these figures are a distortion: because of difficulty in obtaining and breaking down the figures, only the 13.7 per cent overall rate for the "standard North" includes self-employed and members of the armed forces, but the Cumbrian and North-East ones do not.

Indeed, the latest figure, from 1986, shows only 112,000 self-employed people in a 1.5m workforce in the "standard North" anyway. According to the Department of Employment's calculations, excluding them and the armed forces from the Government's own figures worsens the regional unemployment rate from 13.7 per cent to 15.3 per cent.

This, and the now statistically comparable sub-regional rate for the North-East of 16.4 per cent gives a truer picture of joblessness, for one of the North-East's principal problems is a deeply anti-entrepreneurial culture on Tyneside, Wearside and Teesside.

This is not fertile territory for self-employment. Succeeding generations have worked for big employers, whether state or private sector. Success has long been measured in terms of apprenticeships, of acquiring manual skills so as to be employable in the traditional industries of heavy engineering, shipbuilding, mining and steelmaking.

Nissan has found a workforce that is numerate, skilful and superior to other parts of the world in a range of manual activities from complicated maintenance to simple cleaning. It fits with a proud industrial, shop-floor culture stretching back generations.

Research by Investors in Industry (3i) has shown that these are not the breeding conditions for entrepreneurs. Smaller and medium-sized business, which make up the major portion of employment in the increasingly buoyant areas of Greater Manchester and West Yorkshire, teach people the general problem-solving skills they need to go it alone.

The dependence of the North-East's community at large on having work found for them is signalled by the general industrial infrastructure. The public sector is the biggest employer, accounting for 60 per cent of jobs on Tyneside. Because it is the biggest customer for most things, it generates two-thirds of gross domestic product.

According to the Newcastle stockbrokers Penney Easton there are only 30 locally-based listed companies in the North-East. The comparison is with 144 in Yorkshire and Humberside. Taking into account the population size, the North-East's list should be between 70 and 100.

It is against this background that most Cumbrian people and industry want to be in the North-West, not the "standard North." Cumbria County Council belongs to Inward, the North-West's inward investment agency and has yet to decide about paying dues too to the Northern Development Company (NDC) - the North-East's equivalent.

The issue is complicated by two Government departments - Environment and Trade and Industry - treating Cumbria as not in the Government's "standard North" at all, administering their services to the county from Manchester.

Mr Reay Atkinson, NDC chairman, wants Cumbria because it will enrich the package the North can offer when it tries to be attractive to footloose industry and develop tourism as a job creator.

He says: "We are in a process of industrial and economic change. There are some useful indicators. There is no English Estates property that is unlet because there is such tremendous demand. A wider range of new businesses in the high tech field is developing. All the traditional industries are improving.

"The problems are bringing about the change while you are trying to contain unemployment. Unemployment is not being reduced by the changes. We have to manage change, help new industry to come, capitalise on our resources and success, and improve the image of the region."

He sees the NDC as the vital element of getting all the acts together, even though Durham County has formed its own development company and persuaded Sir Ron Dearing, the former Post Office chief, to chair it, while British Nuclear Fuels (BNFL) is to fund a development initiative in West Cumbria with a massive £1m a year for 10 years.

The scale of BNFL's contribution sets the context for other initiatives in the North, for the Government encourages such donations from industry to involve the private sector in regeneration. The problem for the North-East, however, is a private sector that is too small: everyone has to contribute too much too often.

Companies regularly touched for money include ICI, NEI, BSC Industry, Esso, Shell, the clearing banks, the Burton Group, IBM and others but, as Mr Graeme Anderson, NEI's deputy chairman points out, even the most successful can only afford so much.

The problem has manifested itself with difficulty in funding the proposed Cleveland Enterprise Centre - designed to combine the best in job-creation and managed workspace practice under one roof. This is well short of £700,000 from the private sector to trigger pound-for-pound Government help, despite generous funding from "the regulars."

This might not have been felt so bitterly locally had the new Teesside Urban Development Corporation not announced its first project during the same week that news broke of the centre's problem. The project, by a Mayfair property company, is for an £80m retail and leisure complex on the disused Stockton racecourse.

Some in the job-creation business in the North-East have criticised the enterprise centre proposal as too "top-down" rather than "bottom-up" in concept. But all are much more critical of aid regimes that help more multi-million pound retail property developments while they struggle for funds.

Despite all this, there is a small current of hope in the tide. Mr Michael Denny, who runs Northern Investors, a venture capital fund, says that the anti-enterprise culture is changing slowly, though it is hard work for those involved.

The CBI's officers say that there is optimism, though not buoyancy, and point to a 30 per cent increase since 1979 in its mailing list, which now stands at about 1,000.

The NDC has identified seven good industrial areas where there is already a wide range of skills - plastics, information technology, electronics, offshore, fashion and textiles, pharmaceuticals and biotechnology, and advanced manufacturing technology. It is building a network to encourage inward investment and growth in all of them.

All this in an area infamous for what the Prime Minister once called "Moaning Minnies" and one Southern columnist brands regularly as full of whiners. What is plain to see, however, is a region with the massive problems that flow from an economic structure that continues to be grossly imbalanced.

The efforts on the ground to change it are enthusiastic but slow in impact because of the scale of the problem. There seems little prospect of the buoyancy of the South spilling north under the pressure of market forces, especially with overloaded access roads leaving much to be desired. The problem of the North-East will be with us for a long time to come.

CONTENTS

Dominance of the public sector

# No route to the top

THE MOST striking feature of the Northern Region's economic profile is that more than 40 per cent of the working population is employed in the public sector - and because the public sector is itself the major consumer of all services, it accounts for about two-thirds of gross domestic product.

Education, health and other services provide 21.6 per cent of jobs, and public administration and defence 7.9 per cent, a total of 29.5 per cent. This contrasts tellingly with manufacturing - metals, chemicals, fabricated goods, engineering, vehicles, and all other forms - which make up only 27.7 per cent.

Prof John Goddard, head of Newcastle University's centre for urban and regional development studies, puts the proportion of Tyneside's jobs that are in the public sector at 60 per cent. The biggest employer is the Department of Health and Social Security, with approaching 10,000.

The private sector has special characteristics, too. There is a preponderance of big businesses. Northern Engineering Industries (NEI) dominates engineering, with 7,600 of its 16,800 employees in the region. Much of its work comes from one of Cumbria's biggest employers, British Nuclear Fuels (BNFL), with its Sellafield reprocessing complex and 8,000 jobs in the area.

Other giants include Thorn EMI (domestic appliances and heating equipment), ICI (chemicals, plastics and petrochemicals), Vickers (engineering) and GEC (telecommunications equipment). Procter and Gamble has had its European headquarters in Newcastle since 1932.

Up-and-coming industries in the region include wholesale and retail distribution, with Tesco a big employer in Gateshead. When hotels and catering are added, these sectors accounted for 20.6 per cent of the workforce two years ago, and have been growing since.

The retail sector in the North-East particularly has been expanded by the MetroCentre at Gateshead and the fight-back to keep custom by Newcastle's Eldon Square, Britain's biggest city centre shopping mall.

The region's traditional industries are coal, steel and heavy engineering, all subject to labour-shedding modern technology and recession. The impact has been massive. Older mines continue to face closure, with investment going into super-pits which will employ increasingly fewer for every ton of coal produced.

### Most people work in organisations, doing what they are told

The same story applies to steel where, seven years ago, closures almost killed the Durham town of Consett. British Steel now points to massive investment on Teesside, where it remains a major force and employer, though with far fewer people than before.

Meanwhile, shipbuilding struggles. Closures and redundancies have made most of the headlines in the past two years. The best-known yard, Swan Hunter, was privatised from British Shipbuilders last year in a management buy-out for only £5m.

Its problem is that, until it can build export markets that were neglected for 10 years, it has but a single customer - the Government. Lack of orders has so far seen about 1,500 jobs lost since privatisation.

Job losses have continued even among the successful. When NEI spent £75m on restructuring recently, £44m went in redundancy payments to 5,800 people. This was across all NEI's operations, but Tyneside had to take its share.

As Mr Alex Marsh, chief executive of Swan Hunter, points out, the effect of such job losses has a wider impact than at first appears. Suppliers and services are hit in greater numbers, at a ratio of about 4-1.

The long-term strategy to replace contracting traditional industries and augment a declining private sector base has been to pull in more inward investment.

One result is that the region now has the biggest concentration of Japanese manufacturers in the UK, with 17 companies. These include giants such as Nissan, Komatsu, Sumitomo - which took over a Dunlop tyre factory - and NSK, the ball bearings manufacturer.

The US is, however, the biggest inward investor with more than 90 companies. Its giants include Black and Decker (power tools), Corning (glassware) and Sterling Winthrop (chemicals and pharmaceuticals). Mainland Europe's presence includes about 90 companies, with a large concentration from Scandinavian countries.

These are all either big companies, big local employers or branch factories following a business strategy decided far away. Most people work in organisations employing more than 500 people, whether in the public or private sector, doing what they are told.

The effect of this on the North is profound - it produces a dependent culture. Middle managers often have no promotional route to the top unless they move.

Prof Goddard sees worse to come. As new technology makes a growing impact on government offices, jobs will be lost there.

Meanwhile - and across both private and public sectors - information technology and telecommunications in particular will bring about more centralisation of strategic decision-making in London or in Leeds, the emergent capital of the whole East Pennine area of the North-East and Yorkshire-Humberside.

Many middle management functions could disappear, extending the region's "branch economy" status in both public and private sectors. This scaling down of local power and executive needs would, in turn, have an impact on organisations such as British Telecom, now a major provider of services and jobs.

The pool of middle managers from which growing small businesses could draw their future departmental heads and directors is bound to be affected in the long term - unless the small business sector can grow fast enough to generate its own pool.

A lot may also depend on how the existing structure changes with the shape of the new service sector. Dr Andrew Robinson of the Northern Development Company says: "The MetroCentre employs 7,000 already and this is comparable to numbers employed in mining. Steel, coal and shipbuilding don't hang from our necks like an albatross any more. There is a better cadre of people available now."

Preventing further deterioration of the basic infrastructure seems crucial, however. NEI's presence is a major stabiliser - Mr Graeme Anderson, the deputy chairman, says that he did not realise how much until he joined the board of Tyneside's urban development corporation and saw how people counted on the engineering giant for private sector leadership.

"A hell of a lot of our time is spent in London with Ministers, in Whitehall, and with bankers. But we think it is very important to be in the region and to keep our main board here," says Mr Anderson.

One figure sums up the lack of balance which NEI is a major factor in trying to counter. According to the stockbrokers Penney Easton, the region has only 30 listed companies based locally. The contrast with the 144 in neighbouring Yorkshire and Humberside speaks for itself.

*Pro rata*, for its size the North should have nearer 100.

**Ian Hamilton Fazey**

**Employment by industry northern region**

Figures for December 1985

| Sector | Numbers | Share (per cent) |
|---|---|---|
| Agriculture, Forestry, Fishing | 14,000 | 1.3 |
| Energy and water supply | 52,000 | 5.0 |
| Metal mfrg and chemicals | 71,000 | 6.8 |
| Metal goods, engineering, vehicles | 122,000 | 11.7 |
| Other manufacturing | 96,000 | 9.2 |
| Construction | 45,000 | 4.3 |
| Wholesale distribution, hotels, catering | 100,000 | 9.6 |
| Retail distribution | 115,000 | 11.0 |
| Transport and communications | 56,000 | 5.4 |
| Banking, insurance, finance | 66,000 | 6.2 |
| Public administration and defence | 83,000 | 7.9 |
| Education, health, other services | 226,000 | 21.6 |
| | 1,046,000 | 100.0 |

Source: Dept of Employment

Northern Development Company

# Building a consensus

THIS SHOULD have been the Northern Development Company's year. Formed with wide support from local authorities and the private sector, its leaders feted by Cabinet Ministers in London, it had the fairest of winds for an attention-catching launch. Then it suffered a severe blow.

Mr Martin Easteal, its chief executive, quit after only five months, his family unable to settle in the North-East from Harlow in the South-East. The embarrassment was excruciating, producing damaging headlines such as "Mr North fails to persuade Mrs South."

Mr Easteal's short tenure is the first thing that private sector leaders talk about when the NDC is mentioned. The widespread view among them, however, is that things were not working out anyway so it was better he left sooner than later. They want the damage repaired quickly so that the NDC can get on with its job.

That job is to act as the Northern Region's equivalent of the Government's Scottish Development Agency (SDA) or its Welsh counterpart - though without their advantages of having Ministers to lobby for them in Cabinet and budgets worth tens of millions of pounds.

The NDC is instead a voluntary alliance of local authorities, public sector industry and private business. It has, however, subsumed the old North of England Development Council (NEDC), the region's recipient of the Government's Invest in Britain funding to promote inward investment from abroad. This brings in the biggest share of the NDC's £2.2m budget.

What it lacks, compared with the SDA or WDA, is a factory building arm and the ability to offer financial help to new, incoming or expanding companies. Instead it works in close, but loose, collaboration with English Estates and the Department of Trade and Industry.

It will also collaborate closely with the region's two new urban development corporations - both of which will be concentrating on getting thousands of derelict acres into developable shape. Devices such as interlocking directorships will help keep everyone in step with each other.

The effect is Government control of the major purse-strings for general industrial development while the NDC builds local consensus to get everyone in the North pulling together. This makes it unique as a bridge across the region's political divides, especially since some on the Labour left have already urged no co-operation with the UDCs.

Consensus it has to be. Labour dominates the local authority scene and the NDC cannot risk voting on anything that might precipitate a split on party lines. This, in itself, is probably the major deterrent to the Government giving the NDC much more money for industrial development and letting it get on with it - in simple political terms, it does not trust Labour.

There is therefore an inherent fragility about the consensus that demands considerable diplomatic skill of the NDC's leadership. It is against this background that Mr Reay Atkinson, the chairman, has taken temporary charge.

Mr Atkinson used to run the DTI in the region, understands all the issues very well and was a driving force in setting up the NDC in the first place.

He says: "Mr Easteal's departure has been a significant hiccup but the manner in which the staff has responded has been magnificent. We have also had enormous practical support from the private sector, with solid help offered, including secondment of senior managers.

"None of the local authorities has used the incident to rethink its position. Government departments have also been supportive, as have two Secretaries of State and two permanent secretaries."

What this recognises is the widespread understanding of the need for the NDC or something like it. Mr Atkinson believes its role is central to developing an overall strategy that will optimise use of government money in the region, given the large number of different pots it is going into.

**Mr Atkinson: 'We are only at an early stage. We have to prove ourselves'**

He sees it offering ideas on policy as part of its job. These might relate to academic activity, development of a balance of industries, the need to get more research and development into the region, how to develop tourism and other service industries.

Dr Andrew Robinson, the NDC's head of corporate affairs, takes the argument further. "Our model is the SDA and certain European regions such as Grenoble, Turin, Catalonia, Baden-Wurttemburg - all areas of potential and growth we can learn from," he says.

"The NDC has been taking a lead in conceptualising where we should be going. Most European countries are organised on regional lines, and the regions compete against each other. They can teach us a lot."

Dr Robinson says that the NDC is targetting on seven good industrial areas for growth - plastics, information technology, electronics, offshore, fashion and textiles, pharmaceuticals and biotechnology, and advanced manufacturing technology.

It is also looking at how to get more money out of the European Community. "What is the best practice? Other countries do better than us. We are the loudest in asking for money, but the effort is fragmented," he says.

Where the NDC has an outstanding track record already is in overseas promotion. It has the subsumed NEDC to thank for this, which brought with it offices in Chicago, Tokyo and Hong Kong.

Mr Chris Fraser, head of overseas operations, is adopting a targetted approach in the US with telephone marketing. The US is likely to remain the UK's biggest inward investor and while the second largest input comes from West Germany, Scandinavia is a big investor in the North-East too because of a recognition of proximity that goes back to the Vikings.

In the Far East, Japan is the major target area, with the NDC playing on Japanese fears that future European sales may depend on manufacturing in Europe.

There are now 17 Japanese companies in the North-East, with more on the way. The 3,500 employed now will rise to 5,000 by 1990, when Japanese capital investment will be £500m, representing more than 20 per cent of Japanese manufacturing investment in the UK. The region also got the first UK manufacturing investments by Korea, Hong Kong and Singapore, all the result of targetted approaches. Taiwan, Korea and Australia are next.

All of this encourages Mr Atkinson, who expects to see Mr Easteal's successor appointed soon. He says: "I would not do this job if I did not believe there was something the NDC could achieve. You are fighting against the idea that if you set up an organisation you have solved the problem. We are only at an early stage. We have to prove ourselves. But people are more encouraged now than ever before."

**Ian Hamilton Fazey**

Venture capital

# Behind the nappies

WHEN LORD YOUNG, the Trade and Industry Secretary, opened the new 78,000 sq ft factory of Blue Ridge Care in Consett this month, his visit marked another step in the remarkable emergence of a new industry in the Northern Region - venture capital.

Investors in Industry (3i) - the venture and development capital provider owned by the Bank of England and the main clearers - might argue that, since it has been in Newcastle for 15 years, there is nothing much new about risk capital in the area.

However, Mr Colin Chadburn, who has been with 3i since those early days, says: "The nature of the business has changed very much. Fifteen years ago you would not go out looking - all the business would be referred. We are much more pro-active now and competitive."

His competitors include Northern Investors, a £5m fund formed in 1984 as a private sector replacement for the Government's wound-down British Technology Group, and the £5.25m Northumbria Unit Trust, one of Lazard's regional funds. Soon, the Newcastle office of stockbrokers Penney Easton will be launching a fund for equity deals of under £50,000.

These are small sums compared with the millions that 3i can call upon from national coffers but their significance is not so much their size as that they are there at all. All have some measure of private sector money from London in them, so success will give the City greater confidence.

The growth of Northern Investors is doubly significant, for apart from about £1m of London money - including £100,000 from Northumbria Unit Trust - the bulk of its fund has come from local industry.

Giants such as ICI, NEI, Vaux Breweries, Tyne Tees Television, and Trafalgar House all contributed substantially in a six-week rush in 1984, doubling the £2m-£3m expectations of Mr Michael Denny, Northern Investors' managing director.

One-third of his fund's £2.3m portfolio to date is in start-ups. There have been 18 investments to date and Mr Denny expects to be fully invested with another 22 by the end of next year. He will then be looking for more money and more investments. What has been happening generally so far should encourage potential backers.

The spectacular growth of Blue Ridge Care, which makes disposable nappies, is one example. Northumbria Unit Trust is one investor here with £308,000, while another is CIN Industrial Investments. Their backing has enabled the British Technology Group, which put about £400,000 of the original start-up money in its last investment, to exit at a profit.

The company's success says much about what a combination of the right sort of Government aid and venture capital can do. The founder, Mr David Langston, is an American who had researched the gap in the UK nappies market - disposables had only 15 per cent share in 1983 - for his US employers. Consett appealed as a steel closure area with many grants available.

When his employers retrenched because of economic problems at home, Mr Langston decided to do it himself, putting up £100,000 of his own money and moving house from South Carolina to Newcastle. His commitment was the sort of earnest which risk capitalists need and he got enough to get going purely on a equity basis.

The gamble he took was finding good people to join his management team, but he did so, recruiting production, finance and sales directors in the local labour market.

The business was on three-shift working within two months and numbers employed have grown from 15 to 180 in three years. Turnover has gone from £3.7m to £9.8m and should be £18m-plus this year. Meanwhile, disposable nappies now have 65 per cent of the UK market and Blue Ridge has 10 per cent of all nappy sales.

Mr Chadburn points to a string of successful investments by 3i, including Northumbria Fine Foods, which started with £30,000 of 3i money in 1977. More rounds of financing fuelled continuous growth. When the company went to the market last year, 3i sold enough to take out £1m while retaining a 9 per cent share of the equity.

Derwent Valley Foods, famous for its Phileas Fogg cocktail snacks, is another 3i client. Its four founders came from the North-East crisp industry, though they did not have a product - only their talents - at that stage.

BSC Industry, Barclays, and the DTI all helped to get them going. The company had an early crisis but 3i gave the necessary bank guarantees to get them through it - exactly the sort of situation where risk capital scores over a bank's comfortably secured loan capital, for the venture capitalist sinks or swims with the investee.

"We do strategic planning with client companies. It's not hands-on management - it's eyes-on management," Mr Chadburn says.

Mr Denny gets more involved. "We are interventionists. We try to add value to investments made. You add value by active participation.;

"We help people to find customers. We don't just say,'Here you are sunshine, here's XYZ pounds, we hope you do all right with it.' We are in the hands-on, interfering, value added business of trying to make people rich. The security we achieve is to manage our investments and help them make money," he says.

Northumbria Unit Trust spreads its risk and achieves liquidity by investing part of its funds in local quoted companies. At year-end on September 30 the offer price per unit was £231 compared with an issue price in 1983 of £100.

Its two failures have been offset by two successes where its shareholdings were sold at twice the original cost, leaving it about £300,000 ahead so far. Its six remaining investments include Blue Ridge, its biggest, and Northern Investors, its smallest.

But do the funds go small enough? Mr Chadburn thinks money is there for good projects and says that the 45 deals that 3i will do this year will range from £15,000 to £2m, with 15 of them equity deals worth under £100,000. Mr Denny's range is £25,000 to £1.5m, with anything over £400,000 syndicated out.

Mr John Williams of Penney Easton says this is not enough. He thinks more people would start up in the area if they were less daunted by bank interest rates. Penney Easton's new fund - he is getting the money from City institutions - will be primarily for seed-corn projects.

A clue to where some clients may come from is that he also plans a company to promote joint ventures, or technology transfer, or export-import business with Hong Kong.

The North-East does not have a long tradition of small business entrepreneurialism. A few successes may provide the encouragement to change that picture considerably. Meanwhile, the foundations of the professional and financial network needed for venture capitalism to thrive are clearly emerging.

**Ian Hamilton Fazey**

Industrial restructuring means changing the region's culture

# Improving the enterprise climate

ONE FAST-GROWING, medium-sized business in the North-East was recently raising more venture capital to grow even faster. Its managers, all recruited locally from big companies, were offered the chance to buy equity. To the entrepreneur's astonishment, they declined.

In the parts of Britain where there is a stronger entrepreneurial tradition, the opportunity would have been snapped up, with people borrowing to raise the money. Prof John Goddard of Newcastle University's Centre for Urban and Regional Development Studies finds the North-East response unsurprising.

He says it is more than likely that the managers concerned live surrounded by public sector professionals and middle managers working for larger businesses. Getting rich through doing your own thing does not spring easily to the forefront of people's minds. Peer group pressure is against personal risk.

People need examples to follow and in Britain's thriving areas there are many more of them spread through suburbia. Prof Goddard says: "The social network here is not as good. It's a critical mass problem.

"There are a lot of small and medium-sized fast-growing businesses, but there is a skill shortage in the management area that creates a managerial bottleneck.

"It is going to be difficult for some to make the transition from being an owner-managed business to being a professionally managed one where the work is spread and delegated through a team."

This is not to say that entrepreneurialism is not alive and kicking in the North-East and Cumbria, as the rapidly developing venture capital scene proves. But the market is in an infant, rather than adolescent state, and there are deeply rooted historical reasons for this.

The contrast is with the more thriving areas of the North as a whole, such as Greater Manchester and West Yorkshire. These have broadly-based local economies, with long-established networks of smaller businesses feeding bigger ones and with the bulk of people employed in units of under 500.

As research by Investors in Industry (3i) has shown, smaller and medium-sized businesses foster problem-solving ability - the main entrepreneurial requirement - at all middle manager levels down to the supervisor. This in turn fosters an entrepreneurial culture, encouraging those who want to do their own thing.

Prof Goddard: 'It creates a managerial bottleneck'

Mr Colin Chadburn, head of 3i's Newcastle office, says that one way this manifests itself in the Northern Region is in the nature of management buyouts.

Bigger businesses, with their tendency to be branch factories, do not have a full team of managers to run the business on a stand-alone basis, nor do they get the scope to operate outside a laid-down strategy to learn more skills.

The buyouts mostly involve smaller businesses, usually family-owned, where the range of managerial skills is wide and where a more entrepreneurial attitude runs throughout the enterprise. This is where people learn and develop the confidence to bid for their businesses.

So, despite many examples of successful and growing businesses, they are so far making little impact against a general industrial culture where succeeding generations have grown used to working for dominant, local employers or depending on the state to support them in unemployment.

Changing this culture is a crucial to industrial restructuring, but many believe that combatting anti-entrepreneurial attitudes that have become ingrained over generations will itself take a generation or more.

In Cleveland, the Rev Bill Wright started in 1979 to run sessions on self-employment for sixth-formers with members of the Teesside Small Business Club. Now the sessions extend to all schools, with Durham University Business School, BSC Industry, the DTI and NatWest all offering practical or financial help.

Every Cleveland pupil has a new option on the timetable exploring what Mr Wright calls the "key life skills" of self-confidence, enthusiasm, leadership, creativity, risk-taking, problem-solving and flexibility. These are aimed specifically at any young people who might be interested in self-employment later on. Some start even in primary school.

Cleveland's initiatives also include support for people in self-employment, with advisers paid for by the Manpower Services Commission via the Community Programme. Youth Business Centres - one-stop shops for advice and help - are the third stage.

Meanwhile, other initiatives strive to keep talent in the region, for flight to London or elsewhere has been the only way for many to find channels for their abilities.

Design Works is an example. This was a clothing factory in Gateshead owned by the Burton Group. The Sir Robert McAlpine group is using Community Programme labour to convert it into a complex of studio workspaces, exhibition areas and training facilities. Marketing and brokerage support will help designers win orders from industry. Burton's Sir Ralph Halpern has promised orders.

Another example is also in Gateshead at Stonehills, a disused factory that is now a complex of incubator and larger units, a software development centre, a women's employment project and a television studio that offers training for media technicians, as well as businesses wanting to use videos in their marketing.

Enterprise agencies and an innovation centre are also active, and since these rely substantially on the private sector for support, this means widespread interest in changing the culture on the part of existing big business.

However, there is a problem caused by the private sector's narrow base in the area. It means that the same sources are being tapped time after time for money, secondees and other support in kind for these projects.

The first, ominous sign that the well may not be deep enough for everyone to drink from has come with the postponement of a start on the Cleveland Enterprise Centre, planned as a £2.2m example of the best in job-creation practice.

ICI, BSC Industry, British Telecom, Barclays, Northern Foods, Esso and IBM have put in money or manpower, but the project is still substantially short of the £700,000-worth of private sector backing it needed to get a similar sum from the public sector under the Government's "pound for pound" rules. The rest of the cost would come from a commercial loan.

Here, then, is a paradox. The region needs the centre to expand the private sector from the bottom up and reduce an overdependence on big business and the public sector that inhibits the growth of a wider enterprise culture. But the private sector is too small to pay a big enough share to get the centre going.

What works in more widely-based regions which have a better climate for enterprise in the first place may therefore not work in Northern England. The private sector spirit has shown itself willing, but the imbalance of large and small, public and private, weakens its ability to pay endlessly.

He that hath not cannot give at all. Will the Government have to re-think its rules?

**Ian Hamilton Fazey**

**The North-East's top companies**

| Company | Holding company | Turnover (£m) | Year end | Sector |
|---|---|---|---|---|
| Northern Engineering | - | 937.5 | 12/86 | Capital equipment |
| Barratt Developments | - | 444.3 | 06/86 | Building |
| T. Cowie | | 217.7 | 12/85 | Motor trade |
| Sincair & Collis | Hanson Trust | 213.9 | 10/85 | W/sale distribution |
| Vaux Group | - | 163.5 | 09/86 | Brewing |
| Swan Hunter | - | 137.1 | 03/85 | Shipbuiling |
| Yarrow Shipbuilders | General Electric Co | 111.0 | 03/86 | Shipbuilding |
| Whessoe | | 94.6 | 09/86 | Engineering |
| Forbo UK | Forbo AG | 84.8 | 12/85 | Vinyl products |
| Darchem | William Baird | 75.8 | 12/85 | Process plant |
| D.S.M. Autos | | 71.1 | 09/85 | Motor trade |
| Minories | | 63.7 | 10/85 | Motor trade |
| Crossley Ferguson | Ferguson Industrial Hldgs | 60.6 | 02/86 | Building materials |
| Tyne Tees | | 60.5 | 12/85 | Programme contractors |
| Corning | Corning Glass Works (USA) | 58.2 | 11/85 | Glass |
| Ropner | - | 54.8 | 12/86 | Holding company |
| J.W. Cameron | | 54.8 | 12/85 | Brewing |
| Bellway | | 52.7 | 07/85 | Building |
| Sunderland Shipbuilders | British Shipbuilders | 52.1 | 03/86 | Shipbuilding |
| Darlington & Simpson Rolling Mills | | 50.8 | 03/86 | Steel rerolling |
| Davy McKee (Stockton) | Davy Corporation | 50.1 | 03/86 | Engineering |
| Greggs | - | 48.4 | 12/85 | Baking |
| Northern General Transport | | 47.2 | 12/85 | Bus operator |
| Charlton-Leslie Engineering | Silvertown Rubber | 46.3 | 12/85 | Process plant |
| Laws Stores | | 45.9 | 08/86 | Retailing |
| Cleveland Potash | Anglo-American Corp | 44.7 | 12/85 | Potash production |
| British Chrome & Chemicals | Harrisons & Crosfield | 44.6 | 12/85 | Chemicals |
| Sadler and Co | St Martins Holdings | 42.6 | 06/86 | Haulage |
| Walter Willson | | 41.8 | 01/86 | Retailing |
| Perstorp | Perstorp AB | 41.7 | 08/85 | Plastic materials |
| Cookson Industrial Materials | Cookson Group | 41.6 | 12/85 | Smelting |

Gateshead festival

# Northern Kew takes shape

THE SITE, or rather sites, of Gateshead National Garden Festival 1990, were once among the most polluted and despoiled to be found beside the River Tyne.

Reclamation of the former Redheugh Gasworks, the Norwood Cokeworks, the Thomas Ness Tarworks and the Norwood railway sidings represents a major initiative by Gateshead Metropolitan Borough Council. It spent £4m of Derelict Land Grant in under four years in accelerating a process which might otherwise have taken 30.

By June 1988 reclamation will be complete and the framework in place for festival uses to take shape. NGF90, as it is known, is set to follow Liverpool, Stoke-on-Trent and Glasgow in the modern garden festival movement, which progresses to Ebbw Vale in 1992. It seems likely to be among the more memorable settings.

A prime reason is location. Gateshead could hardly have chosen a tougher prospect than the four sites, linked by a disused rail corridor and punctuated by the noxious River Team. Residual contamination included phenols, sulphides, tars, heavy metals and a 20ft layer of compacted coal dust.

On one flank is a 1960s municipal housing estate, whose massive tower block, known as The Rocket, dominates the skyline. On the other, gasholders protrude. The Tyne shore is dominated by the massive silhouette of the coal staiths, whose centenary falls in 1990.

It is not the sort of place where you might expect to find hundreds of rare tree species, a Northern Kew. That is why Mr David Copeland, NGF90's executive director, is preparing for a greener look than other festivals. The contrast of copious planting with the stark environment around promises great visual excitement.

Mr Copeland is a planner by profession but his company, which has operational independence from the local authority, has eschewed a masterplan. Festival themes - childhood, Tyne heritage, homes and gardens - link with agreed after-uses of recreation, leisure activities and housing. The festival itself, however splendid, is principally an enabler.

Without it, Gateshead would never have levered £6.4m in derelict land grant for the 200-acre site, let alone a further £13.5m from other public purse sources to multiply the borough's own £5.8m injection. Private sector contributions should add an all-important £4m to capital spending, plus £6m in sponsorship. Projected operational profits of £5m during the summer of 1990 suggest an overall budget in excess of £40m.

That is big money, and Gateshead MBC will be guaranteeing revenue costs of up to £8m to encourage participation. On present evidence there will be no lack of takers. NGF90 is in the process of negotiating main-title sponsors; the £4m capital injection will come from end-users. The main problem, as ever, is time.

Reclamation offered a particular challenge on the key Redheugh site, where pollution was too imbedded for the ground simply to be capped off. Given massive drainage demands, the borough's reclamation team decided to implement a capillary break blanket method invented by Dr Tom Cairney of Liverpool Polytechnic. This admixture of pulverised fly ash, crushed dolomite and sand allows downward percolation but no upward movement. PFA is also being used in the subsoil, along with straw and 100,000 cubic metres of silt dredged from the Tyne. Topsoil, stored nearby, comes from the Nissan factory site at Washington.

The staiths fronting Redheugh, listed for their historic importance, are under restoration at a cost of £1.25m. Their gantries will be put back in working order, and track is being laid for period steam locomotives. Steam is already lined up in the presence of the Ravenglass and Eskdale narrow gauge railway, which will serve as a distributor around the two northern sites. A slow-moving monorail, prefunded by a Belgian firm, does a similar job around the southern sections.

One established planning principle is that all motorised vehicles are segregated from pedestrians. Given the distance between sites, with car and coach parking necessarily on the fringes, balance and distribution of visitors - at least 25,000 are expected on peak days - will be crucial. To this end a continuous road train service will run on its own track between the main transit points.

Pedestrians can make the same journey on a spine footpath with shelter points every 100 yards and shopping along the corridor section. The path could also accommodate a linear modern art exhibition - if there is room. Some of the early tree planting (over 1m already) is jeopardised by rival uses.

Regionally-based landscape architect practices were awarded £1,000 each to produce ideas around the existing structure and themes. Each, says Mr Copeland, will be offered further work on merit. That is also his attitude to the nurseries and garden centres seeking to supply plants. Where possible, all contracts are to be let locally but rarer species or specifications may have to come from further afield.

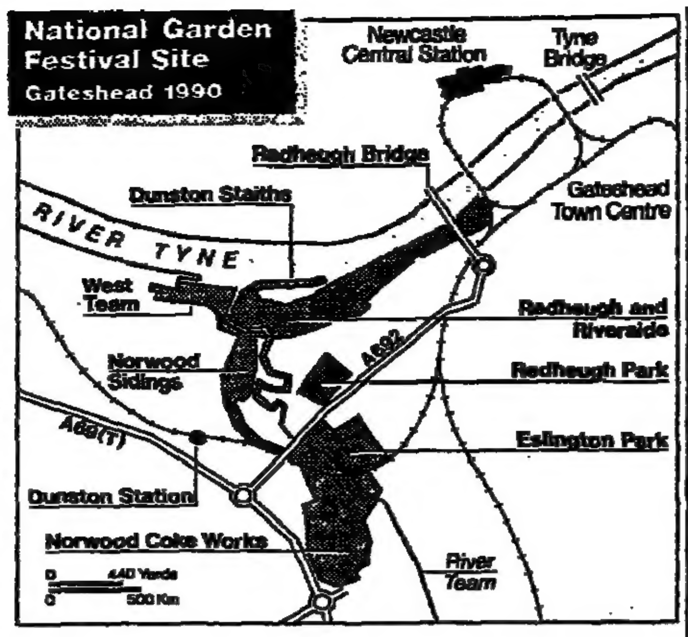
Despite NGF90's quest for excellence, its appeal will be unashamedly popular. Indeed, this combination of high horticultural and amenity standards linked with themes like *Magic and Illusion* or *The Future*, is hoped to create a heady brew of local enthusiasm, regional pride and national recognition.

Will its success, in the end, be measured simply in numbers? Mr Copeland points to the huge vested interests, public and private, in a £40m project, all with different objectives and individual ways of reckoning value for money. There are bound to be those who feel unhappy.

However, he has no doubt that the festival will offer a major boost to the North-East's image and self-esteem. It will provide a legacy of exciting tourist attractions along the Tyne, of high quality recreational facilities, of private and rented housing.

Perhaps the spirit of NGF90 is best summed up by a two-acre section beside the River Team in Redheugh where a Third World village is planned. Visitors will enter through an aircraft fuselage, and groups from different countries will demonstrate the realities of their everyday life. It is a symbol that a rich nation with the ability to regenerate one of its own devastated areas has not forgotten the wider perspective.

**Robert Waterhouse**




Cumbria

# North by North-West

EVERYONE KNOWS where Cumbria is located on the map. Where it is located in terms of the English regions is something else. The Northern Development Company (NDC) claims it for the North; its major employers - who contribute massively to future industrial development - want it in the North-West.

Meanwhile, the county - formed in the 1970s by the amalgamation of Cumberland and Westmorland with parts of north Lancashire - pays its dues to Inward, the North-West's inward investment agency, not the NDC.

Cumbria County Council has yet to decide whether it wants to go into the NDC as a fully paid-up member. Carlisle City Council has voted in favour but has no general support in much of industry and commerce, particularly in West Cumbria.

Critically, two of the most powerful elements in the industrial infrastructure - VSEL, the Trident submarine yard at Barrow, and British Nuclear Fuels (BNFL) at Sellafield - are interested in staying in the more buoyant North-West.

Confusion abounds, partly because of the Government's stance. Cumbria is in the North for statistical purposes but in the North-West when it comes to administration by the Departments of the Environment (DoE) and Trade and Industry (DTI).

The Government puts it in the North when the monthly unemployment statistics come out, for example. The official reason is that Cumbria was in the Northern Region's original statistical base and it would confuse matters to change it.

However, Cumbria's figures are broken out easily on request and, with modern computing, change and recalculation of the base would not be difficult. One cynical view is that Cumbria's low unemployment rate of under 10 per cent helps disguise how bad things really are in the North-East.

Cumbria has a problem in Workington, where 14 per cent unemployment has given it development area status, but Carlisle has remained stable with United Biscuits, Pirelli and Nestle big employers, and Cavaghan and Gray, one of 3i's long-term success stories as a major supplier of quiches and other high quality foods to Marks and Spencer.

Job creation efforts are very much locally based. British Steel - which, although it has long since closed its West Cumbrian blast furnaces, has one of the world's leading rail making plants in the area - is very active through BSC Industry. VSEL has one of the biggest training programmes in Britain.

Meanwhile, BNFL has recently announced a £1m a year contribution to the West Cumbria Initiative, aimed at widening the industrial base and fostering more small business growth. This is the sort of money the NDC could do with, but BNFL is not on its list of private sector backers.

It is against this background that Mr Reay Atkinson, the NDC's chief executive, has been lobbying hard to get Cumbria fully committed to his fold.

He has some powerful friends in the Government, but so has Dr Rodney Leach, chief executive of VSEL, who argues that when compared with the M6-M61 express route into the heart of Manchester, communications to Newcastle make a nonsense of an east-west link.

Mr Atkinson concedes this, but says that Carlisle's case to link with Newcastle - 60 miles along the A69, compared with 120 miles to Manchester - makes sense. But while he says that, the same applies to all of Cumbria north of Shap fell. He admits that the natural affinity for anywhere south of Shap is with the North-West.

The people lobbying against him say the greater logic is to keep all of Cumbria in the West Pennine region, which is where it is geographically, as the big industrial guns want.

Mr Atkinson will keep fighting, however. He says: "Cumbria gives us a distinct advantage in promoting the Northern Region, especially regarding tourism and the strength of existing industry."

**Ian Hamilton Fazey**

Tourism

# Penny-pinching is bad housekeeping

TOURISM IN Cumbria and Northumbria, the two ETB regions for Northern England, is a multi-million pound business. Last year it was worth an estimated £256m to Cumbria and £230m to Northumbria, providing around 50,000 valuable jobs across the North. Yet the two tourist boards, with a combined turnover of just £1.07m, are battling to conserve their operational pennies for everyday survival.

Northumbria Tourist Board, whose bailiwick extends from Middlesbrough to Berwick-on-Tweed, is currently considering travel restrictions on its development staff. Cumbria asks journalists to kindly return background documents, or cough up the shelf price.

The tourist boards claim their housekeeping practices are already stringent. They say that the ETB has indicated standstill budgets for next financial year. Many of the local authorities which support them are ratecapped. The principal expansion route is through sponsorship, and in Cumbria at least commercial membership would be difficult to improve.

Grant aid for tourism projects, which comes from a separate ETB allocation, amounted to £644,000 in Northumbria during 1986-87, levering £4.27m and 256 jobs. In Cumbria £510,000 brought an investment of £4.59m and 116 jobs.

Because they are geographically large but numerically small, Cumbria and Northumbria have most to gain from membership of the Northern Consortium of tourist boards, whose joint overseas marketing of "England's North Country," using Manchester Airport as the gateway, shows great potential.

At the other end of things, Northumbria recently set up its own community programme agency in partnership with the MSC, which led to the staffing of a tourist information centre at Newcastle Airport.

In comparison with the other regional board areas, Cumbria and Northumbria form the bottom league, with 15m and 16m bed nights recorded respectively during 1985 (Thames and Chilterns was the next lowest at 30m). However, tourism's importance to the Northern Region's economy is double the national average in job terms.

This is brought about by a combination of geography, topography and industrial recession. With the current agricultural crisis, farmers are also turning to tourism as a valuable source of income. Most of the region comes within rural development areas, while land over 800ft is officially a Less Favoured Area for farming. Such designations bring access to Development Commission and European Community funds. The challenges - and opportunities - vary widely across the region. Cumbria acknowledges that the Lake District becomes unhealthily full in season. Official policy is to encourage tourism in the rest of the county, and special emphasis is being placed on both Penrith and Carlisle as centres. Poor publicity about Chernobyl fall-out over the fells has been balanced in a strange sort of way by British Nuclear Fuels' successful promotion of the Windscale visitor centre.

Northumbria, with no single tourist magnet, suffers from a lack of perceived identity. But unlike Cumbria it has two major conurbations in Teesside and Tyne & Wear, whose smart business hotels offer potential for weekend breaks. Middlesbrough is only a few minutes from the North Yorkshire Moors, and its hotels are good value. Newcastle claims to be the liveliest regional centre in Britain.

Attempting to create the missing tourist identity, the North-East's local authorities are becoming enthusiastic promoters of their own patch. Durham County Council sells the theme of the Prince Bishops who once ruled the world from Durham Cathedral. South Tyneside (or South Shields) majors on Catherine Cookson, the romantic novelist. Alnwick pushes the Percy connection as the Lion Heart of Northumberland.

An irony of the present penny-pinching is that Northumbria, especially, is so marketable. As a tourist region it has just about everything, from Hadrian's Wall to the Metro Centre, from Holy Isle to the Kielder Forest, with superb communications and space for all. Any image problems are illusory. Those who come and see for themselves know better. Yet Northumbria attracts consistently low percentages of tourists from overseas, and from elsewhere in England.

Mr Stephen Gent, Northumbria TB's development officer, believes that in the long run it is better to have a variety of themes than a honeypot like the Lake District. He is worried that facilities could be stretched by the great influx of people expected for the Gateshead National Garden Festival in 1990. The rarity value of the North-East, something treasured by many visitors, might be dented.

It is not that tourism organisers hide themselves away. On the contrary, they are phenomenally busy year-round. Miss Jane Paterson, Northumbria's senior marketing officer, reckons on a 10-hour day and lots of weekend work. Tourist promotion does not have much of a career structure and offers modest salary scales. It still suffers from the old slur that tourism is not a "real" job.

Cumbria, an old hand at managing Lake District crowds, is ahead of Northumbria in producing a strategy document for the coming five years. Its long list of objectives - like opening up new areas, protecting and improving precious environments, bolstering traditional industries - ends with a plea for a first step in more realistic funding. "In order to obtain maximum public and government support for the tourism industry, they should be informed about what the needs of the tourism industry are...CTB and other agencies urgently need resources to implement this strategy."

Tourism in the North of England is more than a necessary curse. Its precisely-directed investment and its bias towards self-help have real-life implications for local communities. Cumbria and Northumbria tourist boards believe they are simply asking for better tools to get on with an important job.

**Robert Waterhouse**

Bio-technology

# Belasis spots a winner

NOT MANY companies operating in the realm of advanced technology issue open invitations - well, almost open - to all and sundry to come and share their hard-won knowledge. What makes the Belasis Hall Technology Park on Teesside so unusual is that ICI has done just that.

Mr George Hunter, the technology park's chief executive, explains: "Anyone in the park will be free to knock on ICI's door.

"My role is to unlock the specialised expertise used within ICI in supporting its own businesses and make it available to the whole spectrum of tenants from small firms to branches of international companies."

Few small firms can afford an electron microscope, but would give anything to get at one for an hour or so a month, he adds.

A joint venture between ICI and English Estates, with substantial financial backing from both central and local government, the technology park comprises 167 acres of land dedicated by the company.

English Estates is building 50,000 sq ft of business accommodation known as Belasis Court. Finished in traditional red brick, the seven pavilions are set around a courtyard and range from rent-a-desk with common services up to a 10,000 sq ft block.

Although the first phase of building will consist of advance-built premises, there are also parcels of land, up to 15 acres, available for companies requiring purpose-built facilities.

These may be constructed by English Estates to a client's specifications and then leased to him, or the incoming firm may wish to build its own property. Mr Hunter says there are a number of options for future development of the park. He is actively seeking the involvement of venture capital.

The facilities ICI is willing to make available to incoming tenants include information technology, from plant control to the electronic office, and stretch from patent agents to the whole gamut of engineering disciplines.

The proximity of ICI's biological products business and the advanced materials research and development operation are seen as very significant attractions.

Companies setting up in the technology park will also benefit from close contact with the region's academic world. In 1983, the universities of Durham and Newcastle, together with the polytechnics of Teesside, Sunderland and Newcastle set up a collaborative working group known as Hesin (Higher Educational Support for Industry in the North).

Significantly, as its first venture in collaboration, Hesin chose biotechnology. With the arrival in the region of several specialised firms, such as Immuno-diagnostics, Marlborough Biopolymers and NBL Enzymes, and the presence of giants Boots and Glaxo, the North-East is already being seen as a major centre for the rapidly expanding UK biotechnology industry.

This strength is one on which Belasis Hall Technology Park clearly hopes to capitalise. Mr John Russell, ICI Biological Products general manager outlines some of the options:

"We focus on the success of the venture and are prepared to be flexible about the nature of our relationship. This can be a simple structured collaboration, a joint venture, a licensing arrangement or possibly contract work."

Mr Hunter admits that access to ICI know-how cannot be totally open-ended. If information could give commercial advantage to a competitor, there would be reservations. On the other hand, ICI would have to learn to live with worries about incoming firms headhunting the chemical giant's bright young men and persuading them to cross the road.

Construction of the first phase of the technology park by Wimpey has gone well and is ahead of schedule. The main buildings in Belasis Court were completed in three months and the moving-in date for the first tenants has been brought forward from May to March next year.

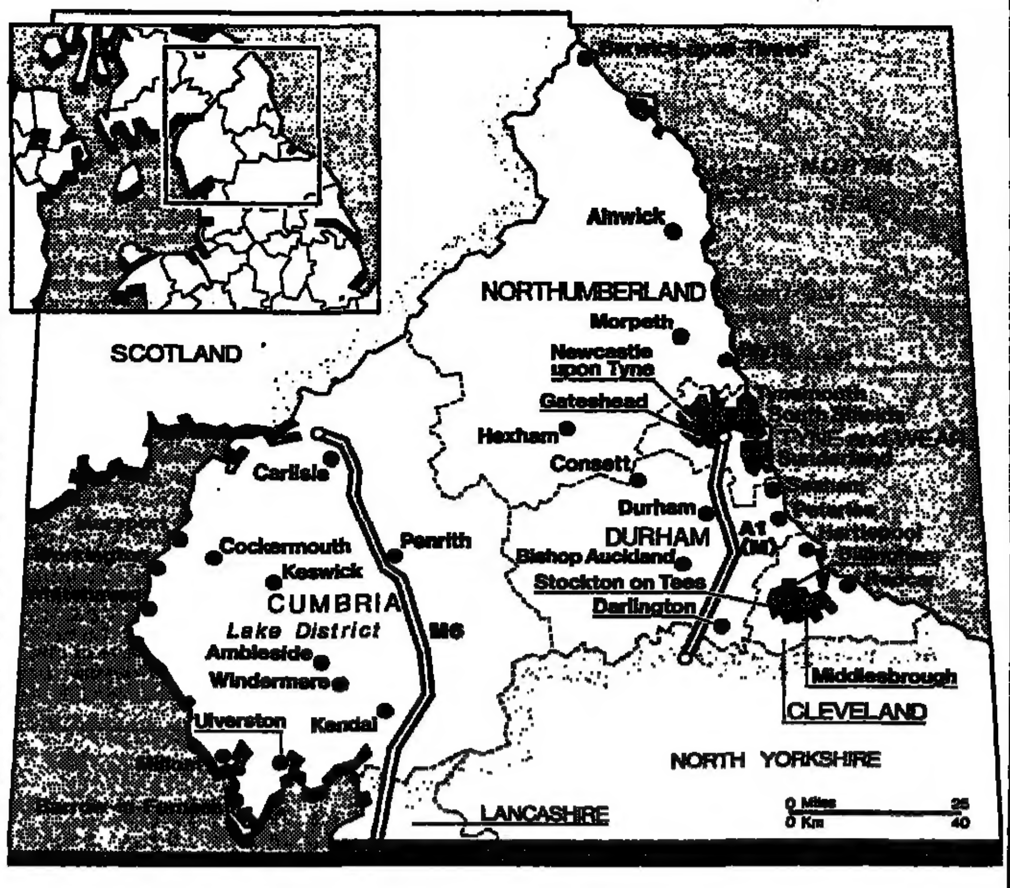
The first company has already been signed up and talks are under way with eight others about the facilities they require. Forty inquiries have been received, of which 25 look promising.

The Northern Development Company is helping with the marketing of the park, both in other parts of the UK and abroad. US inquiries so far include specialist engineering and health care companies. However, 70 per cent of inquiries have come from within 100 miles of Teesside.

It is accepted that not all tenants will want to tap-in to ICI. Some may just want to locate in high-quality buildings in a parkland setting, which is why £500,000 is being spent at the outset on landscaping, including the planting of 80,000 trees and shrubs to create a mature setting.

Belasis Hall is setting a trend in technology park concepts, asserts Mr Hunter, adding that he intends to keep it that way.

**Ewart Mann**




MetroCentre's founder

# The man who took on retail Newcastle

JOHN HALL has become the apostle of the out-of-town shopping lobby. He is the private developer who created the MetroCentre at Gateshead, apparently in direct competition to the established shopping facilities in Newcastle.

"Shopping can be the catalyst to reclaim derelict sites," he says. And that is what has been done at Gateshead, for the MetroCentre has been built on the site of an old coal ash tip. The notion has been recognised in the Government's planning instructions for local authorities.

Although cool generally to the idea of huge new shopping centres siphoning the life out of the very city centres that are the subject of major urban regeneration programmes, the latest draft circulars from the Department of the Environment nod in the direction of Mr Hall.

Very exceptionally, said the Government's recent draft circular on major out-of-town developments, "they may be acceptable where they result in the reclamation of a large area of derelict land and other environmental improvements," and where their impact is likely to be diffuse.

There was a degree of inevitability about that. The Department of Environment, regardless of the merits of the catalyst argument, was hardly likely to kick at a concept which in the North-East has won the plaudits of Cabinet Ministers and an invitation to lunch at 10 Downing Street for Mr Hall.

He has noted that the MetroCentre has resulted in a large injection of funds to the depressed areas south of Newcastle. "We've cleared the dole queues on the south bank of the Tyne," he claimed earlier this year.

For some the rise of the MetroCentre is the symbol of the rise of the North-East, an impression that the gushing publicity for the MetroCentre seeks to enhance - "an area which saw the start of the industrial revolution is now playing host to the start of the retail revolution."

Mr Hall himself talks of Teesside as the new gateway to Europe, picking up the mantle of Mr North-East. And with the MetroCentre under his belt, he is devising grandiose plans to turn the former Londonderry estates into golf courses, business parks, hotels and so on.

At the retail level, he wants to build other MetroCentres, albeit on a smaller scale, near Exeter, Birmingham and Edinburgh. But he has backed off his plans for MetroTees and is now considering a mixed development of retail warehouses, an industrial business park and cinema complex in north Middlesbrough.

**Gateshead's MetroCentre: symbol of the rise of the North-East?**

Mr Hall says he is a dreamer. Others see him as a visionary. But he would be the first to admit that the dream of the MetroCentre did not come all at once one dawn. Indeed, it was only the involvement of Marks and Spencer that turned it from yet another retail warehouse park into a mixed shopping centre.

And the centre itself grew like Topsy. As one surveyor who has been associated with the scheme from the early days observed, "the architect never caught up with the builder."

Certainly Mr Hall has been prepared to take risks. Whether the MetroCentre will provide an adequate balance of reward remains to be seen.

It started with Enterprise Zone tax advantages, which have given retailers a lower cost base than they would otherwise have had. But the tax breaks run out in 1991 at around the time the first rent reviews will fall. Then will be when to see whether the scheme has been a commercial success.

While there has been in the property industry a steady drip of rumours that the retailers at the MetroCentre are disappointed with their takings so far, that has to be set against the facts that MetroCentre continues to expand, that space continues to be let.

Many of the High Street multiples are there and they have gathered around them a host of smaller retailers. About £140m has been invested.

But as, in October, the MetroCentre was opening new facilities, so too was the Eldon Square shopping centre in the middle of Newcastle. What the Metrocentre so far has failed to do is to draw much traffic away from the established Newcastle prime shopping areas. Its effect has been more marked in the smaller centres to the south and west.

Shopping traffic in Eldon Square has been closely monitored and the stores there have been reporting not a fall in their takings but, rather, an average 3-4 per cent slippage from their targets.

This is significant because the interplay of MetroCentre and Eldon Square provides the best source of evidence on the effects of out-of-town shopping developments on the commercial vitality of the traditional city centres. Yet it will take some time for this evidence to accumulate. MetroCentre has been active for barely a year.

**Paul Cheeseright**
*Property Correspondent*

Education and industry

# Hesin's key role

THE NORTH-EAST'S two universities and three polytechnics have this year organised themselves to offer joint support to industry in high technology fields and help force the pace of economic growth in the region.

They formed an organisation called Hesin - Higher Education Support for Industry - in 1983, but in July they gave the body some teeth by appointing Dr Oisin MacNamara to market Hesin in the region and, through the NDC's network, abroad.

The universities of Newcastle and Durham and the polytechnics of Sunderland, Teesside and Newcastle are the organisation's members.

Hesin's record to date has been founded in biotechnology, where it has had notable success in pulling together academics and industry. Biotechnology is strong in the area through the pharmaceuticals industry and regional expertise in heavy engineering.

Contrary to popular belief about test tubes and small laboratories handling exotic chemicals, much biotechnology is concerned with large-scale industrial processes such as fermentation and antibiotics manufacture. The North-East is already a world leader in the field.

Because of the size of the industry in the region and numbers of academics already involved, the biotechnology collaboration was a natural one. But an active agency was needed to pull the strands together in other fields. In other words, Dr MacNamara.

The institutions pay half the costs of supporting him in an office at Newcastle University, with the DTI meeting the rest for now and another government agency set to take over this share of the funding in the spring.

Dr MacNamara says: "The expertise in research and training which these five institutions offer is of immense potential benefit to industry. We shall be co-ordinating the resources to make them as powerful as possible and readily accessible to companies for exploitation."

Backing him up is a powerful executive on which each institution is represented at pro-vice chancellor, dean or assistant director level. The rank of each executive member is sufficient for decisions to be taken that can be implemented quickly by virtue of each individual's academic authority.

Hesin has also been active in continuing education, ensuring that between them the institutions optimise high technology training for scientists in North-East industry. It has European money to support this through Comett, the European Community action programme for education and training for technology.

Dr MacNamara says: "We expect to become increasingly pro-active, particularly in the engineering technologies."

**IHF**

Gateshead festival

# Northern Kew takes shape

THE SITE, or rather sites, of Gateshead National Garden Festival 1990, were once among the most polluted and despoiled to be found beside the River Tyne.

Reclamation of the former Redheugh Gasworks, the Norwood Cokeworks, the Thomas Ness Tarworks and the Norwood railway sidings represents a major initiative by Gateshead Metropolitan Borough Council. It spent £4m of Derelict Land Grant in under four years in accelerating a process which might otherwise have taken 30.

By June 1988 reclamation will be complete and the framework in place for festival uses to take shape. NGF90, as it is known, is set to follow Liverpool, Stoke-on-Trent and Glasgow in the modern garden festival movement, which progresses to Ebbw Vale in 1992. It seems likely to be among the more memorable settings.

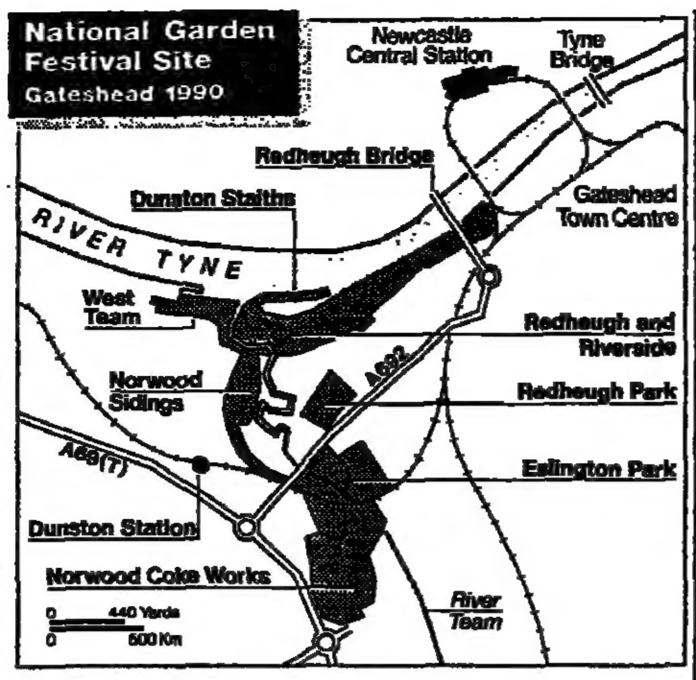
A prime reason is location. Gateshead could hardly have chosen a tougher prospect than the four sites, linked by a disused rail corridor and punctuated by the noxious River Team. Residual contamination included phenols, sulphides, tars, heavy metals and a 20ft layer of compacted coal dust.

On one flank is a 1960s municipal housing estate, whose massive tower block, known as The Rocket, dominates the skyline. On the other, gasholders protrude. The Tyne shore is dominated by the massive silhouette of the coal staiths, whose centenary falls in 1990.

It is not the sort of place where you might expect to find hundreds of rare tree species, a Northern Kew. That is why Mr David Copeland, NGF90's executive director, is preparing for a greener look than other festivals. The contrast of copious planting with the stark environment around promises great visual excitement.

Mr Copeland is a planner by profession but his company, which has operational independence from the local authority, has eschewed a masterplan. Festival themes - childhood, Tyne heritage, homes and gardens - link with agreed after-uses of recreation, leisure activities and housing. The festival itself, however splendid, is principally an enabler.

Without it, Gateshead would never have levered £6.4m in derelict land grant for the 200-acre site, let alone a further £13.5m from other public purse sources to multiply the borough's own £5.8m injection. Private sector contributions should add an all-important £4m to capital spending, plus £6m in sponsorship. Projected operational profits of £5m during the summer of 1990 suggest an overall budget in excess of £40m.




That is big money, and Gateshead MBC will be guaranteeing revenue costs of up to £8m to encourage participation. On present evidence there will be no lack of takers. NGF90 is in the process of negotiating main-title sponsors; the £4m capital injection will come from end-users. The main problem, as ever, is time.

Reclamation offered a particular challenge on the key Redheugh site, where pollution was too imbedded for the ground simply to be capped off. Given massive drainage demands, the borough's reclamation team decided to implement a capillary break blanket method invented by Dr Tom Cairney of Liverpool Polytechnic. This admixture of pulverised fly ash, crushed dolomite and sand allows downward percolation but no upward movement. PFA is also being used in the subsoil, along with straw and 100,000 cubic metres of silt dredged from the Tyne. Topsoil, stored nearby, comes from the Nissan factory site at Washington.

The staiths fronting Redheugh, listed for their historic importance, are under restoration at a cost of £1.25m. Their gantries will be put back in working order, and track is being laid for period steam locomotives. Steam is already lined up in the presence of the Ravenglass and Eskdale narrow gauge railway, which will serve as a distributor around the two northern sites. A slow-moving monorail, pre-funded by a Belgian firm, does a similar job around the southern sections.

One established planning principle is that all motorised vehicles are segregated from pedestrians. Given the distance between sites, with car and coach parking necessarily on the fringes, balance and distribution of visitors - at least 25,000 are expected on peak days - will be crucial. To this end a continuous road train service will run on its own track between the main transit points.

Pedestrians can make the same journey on a spine footpath with shelter points every 100 yards and shopping along the corridor section. The path could also accommodate a linear modern art exhibition - if there is room. Some of the early tree planting (over 1m already) is jeopardised by rival uses.

Regionally-based landscape architect practices were awarded £1,000 each to produce ideas around the existing structure and themes. Each, says Mr Copeland, will be offered further work on merit. That is also his attitude to the nurseries and garden centres seeking to supply plants. Where possible, all contracts are to be let locally but rarer species or specifications may have to come from further afield.

Despite NGF90's quest for excellence, its appeal will be unashamedly popular. Indeed, this combination of high horticultural and amenity standards linked with themes like *Magic and Illusion* or *The Future*, is hoped to create a heady brew of local enthusiasm, regional pride and national recognition.

Will its success, in the end, be measured simply in numbers? Mr Copeland points to the huge vested interests, public and private, in a £40m project, all with different objectives and individual ways of reckoning value for money. There are bound to be those who feel unhappy.

However, he has no doubt that the festival will offer a major boost to the North-East's image and self-esteem. It will provide a legacy of exciting tourist attractions along the Tyne, of high quality recreational facilities, of private and rented housing.

Perhaps the spirit of NGF90 is best summed up by a two-acre section beside the River Team in Redheugh where a Third World village is planned. Visitors will enter through an aircraft fuselage, and groups from different countries will demonstrate the realities of their everyday life. It is a symbol that a rich nation with the ability to regenerate one of its own devastated areas has not forgotten the wider perspective.

**Robert Waterhouse**

Cumbria

# North by North-West

EVERYONE KNOWS where Cumbria is located on the map. Where it is located in terms of the English regions is something else. The Northern Development Company (NDC) claims it for the North; its major employers - who contribute massively to future industrial development - want it in the North-West.

Meanwhile, the county - formed in the 1970s by the amalgamation of Cumberland and Westmorland with parts of north Lancashire - pays its dues to Inward, the North-West's inward investment agency, not the NDC.

Cumbria County Council has yet to decide whether it wants to go into the NDC as a fully paid-up member. Carlisle City Council has voted in favour but has no general support in much of industry and commerce, particularly in West Cumbria.

Critically, two of the most powerful elements in the industrial infrastructure - VSEL, the Trident submarine yard at Barrow, and British Nuclear Fuels (BNFL) at Sellafield - are interested in staying in the more buoyant North-West.

Confusion abounds, partly because of the Government's stance. Cumbria is in the North for statistical purposes but in the North-West when it comes to administration by the Departments of the Environment (DoE) and Trade and Industry (DTI).

The Government puts it in the North when the monthly unemployment statistics come out, for example. The official reason is that Cumbria was in the Northern Region's original statistical base and it would confuse matters to change it.

However, Cumbria's figures are broken out easily on request and, with modern computing, change and recalculation of the base would not be difficult. One cynical view is that Cumbria's low unemployment rate of under 10 per cent helps disguise how bad things really are in the North-East.

Cumbria has a problem in Workington, where 14 per cent unemployment has given it development area status, but Carlisle has remained stable with United Biscuits, Pirelli and Nestle big employers, and Cavaghan and Gray, one of 3i's long-term success stories as a major supplier of quiches and other high quality foods to Marks and Spencer.

Job creation efforts are very much locally based. British Steel - which, although it has long since closed its West Cumbrian blast furnaces, has one of the world's leading rail making plants in the area - is very active through BSC Industry. VSEL has one of the biggest training programmes in Britain.

Meanwhile, BNFL has recently announced a £1m a year contribution to the West Cumbria Initiative, aimed at widening the industrial base and fostering more small business growth. This is the sort of money the NDC could do with, but BNFL is not on its list of private sector backers.

It is against this background that Mr Reay Atkinson, the NDC's chief executive, has been lobbying hard to get Cumbria fully committed to his fold.

He has some powerful frie[nds] in the Government, but so ... Dr Rodney Leach, chief exe[cu]tive of VSEL, who argues t[hat] when compared with the ... M6 express route into the he[art] of Manchester, communicati[ons] to Newcastle make a nonsense [of] an east-west link.

Mr Atkinson concedes this, [and] says that Carlisle's case to l[ink] with Newcastle - 60 miles al[ong] the A69, compared with ... miles to Manchester - ma[kes] sense. But while he says that, ... same applies to all of Cumb[ria] north of Shap fell. He adm[its] that the natural affinity for a[ny]where south of Shap is with t[he] North-West.

The people lobbying again[st] him say the greater logic is [to] keep all of Cumbria in the W[est] Pennine region, which is whe[re] it is geographically, as the b[ig] industrial guns want.

Mr Atkinson will keep fig[ht]ing, however. He says: "Cumb[ria] gives us a distinct advantage [in] promoting the Northern Regi[on], especially regarding tourism a[nd] the strength of existing indus[try]."

**Ian Hamilton Faze[y]**

Tourism

# Penny-pinching is bad housekeeping

TOURISM IN Cumbria and Northumbria, the two ETB regions for Northern England, is a multi-million pound business. Last year it was worth an estimated £256m to Cumbria and £230m to Northumbria, providing around 50,000 valuable jobs across the North. Yet the two tourist boards, with a combined turnover of just £1.07m, are battling to conserve their operational pennies for everyday survival.

Northumbria Tourist Board, whose bailiwick extends from Middlesbrough to Berwick-on-Tweed, is currently considering travel restrictions on its development staff. Cumbria asks journalists to kindly return background documents, or cough up the shelf price.

The tourist boards claim their housekeeping practices are already stringent. They say that the ETB has indicated standstill budgets for next financial year. Many of the local authorities which support them are rate-capped. The principal expansion route is through sponsorship, and in Cumbria at least commercial membership would be difficult to improve.

Grant aid for tourism projects, which comes from a separate ETB allocation, amounted to £644,000 in Northumbria during 1986-87, levering £4.27m and 256 jobs. In Cumbria £510,000 brought an investment of £4.59m and 116 jobs.

Because they are geographically large but numerically small, Cumbria and Northumbria have most to gain from membership of the Northern Consortium of tourist boards, whose joint overseas marketing of "England's North Country," using Manchester Airport as the gateway, shows great potential.

At the other end of things, Northumbria recently set up its own community programme agency in partnership with the MSC, which led to the staffing of a tourist information centre at Newcastle Airport.

In comparison with the other regional board areas, Cumbria and Northumbria form the bottom league, with 15m and 16m bed nights recorded respectively during 1985 (Thames and Chilterns was the next lowest at 30m). However, tourism's importance to the Northern Region's economy is double the national average in job terms.

This is brought about by a combination of geography, topography and industrial recession. With the current agricultural crisis, farmers are also turning to tourism as a valuable source of income. Most of the region comes within rural development areas, while land over 800ft is officially a Less Favoured Area for farming. Such designations bring access to Development Commission and European Community funds. The challenges - and opportunities - vary widely across the region. Cumbria acknowledges that the Lake District becomes unhealthily full in season. Official policy is to encourage tourism in the rest of the county, and special emphasis is being placed on both Penrith and Carlisle as centres. Poor publicity about Chernobyl fall-out over the fells has been balanced in a strange sort of way by British Nuclear Fuels' successful promotion of the Windscale visitor centre.

Northumbria, with no single tourist magnet, suffers from a lack of perceived identity. But unlike Cumbria it has two major conurbations in Teesside and Tyne & Wear, whose smart business hotels offer potential for weekend breaks. Middlesbrough is only a few minutes from the North Yorkshire Moors, and its hotels are good value. Newcastle claims to be the liveliest regional centre in Britain.

Attempting to create the missing tourist identity, the North-East's local authorities are becoming enthusiastic promoters of their own patch. Durham County Council sells the theme of the Prince Bishops who once ruled the world from Durham Cathedral. South Tyneside (or South Shields) majors on Catherine Cookson, the romantic novelist. Alnwick pushes the Percy connection as the Lion Heart of Northumberland.

An irony of the present penny-pinching is that Northumbria, especially, is so marketable. As a tourist region it has just about everything, from Hadrian's Wall to the Metro Centre, from Holy Isle to the Kielder Forest, with superb communications and space for all. Any image problems are illusory. Those who come and see for themselves know better. Yet Northumbria attracts consistently low percentages of tourists from overseas, and from elsewhere in England.

Mr Stephen Gent, Northumbria TB's development officer, believes that in the long run it is better to have a variety of themes than a honeypot like the Lake District. He is worried that facilities could be stretched by the great influx of people expected for the Gateshead National Garden Festival in 1990. The rarity value of the North-East, something treasured by many visitors, might be dented.

It is not that tourism organisers hide themselves away. On the contrary, they are phenomenally busy year-round. Miss Jane Paterson, Northumbria's senior marketing officer, reckons on a 10-hour day and lots of weekend work. Tourist promotion does not have much of a career structure and offers modest salary scales. It still suffers from the old slur that tourism is not a "real" job.

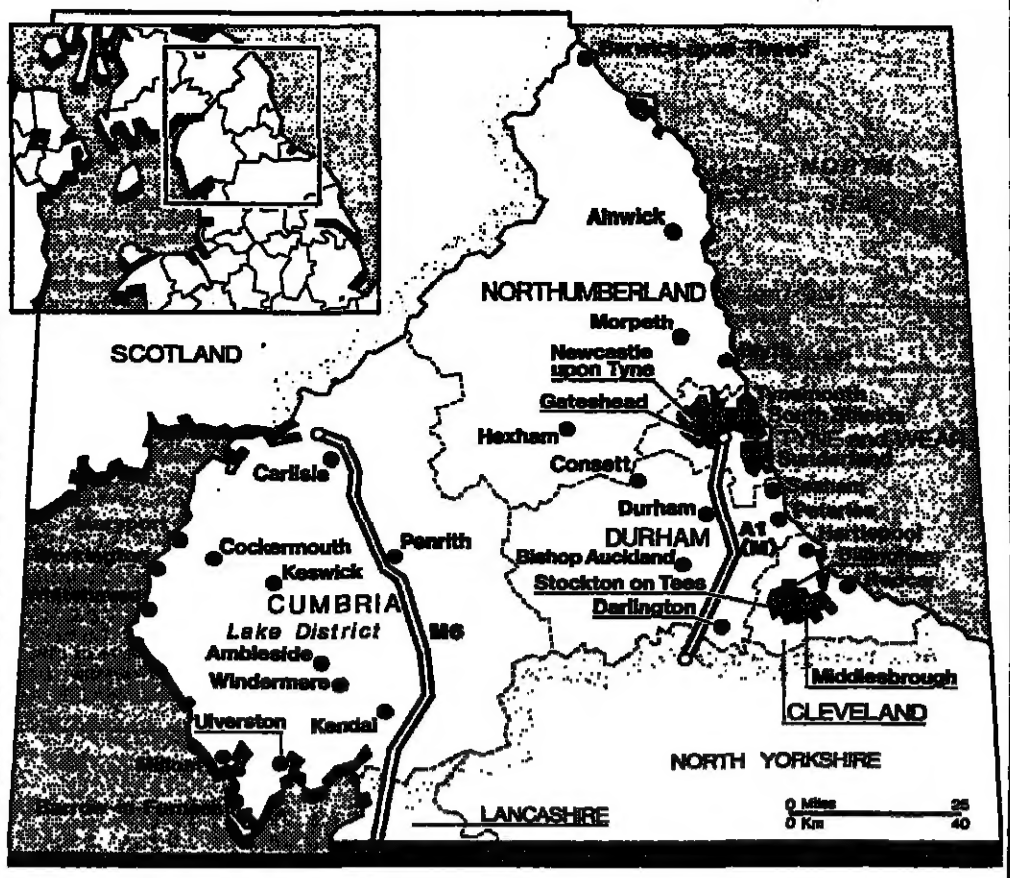
Cumbria, an old hand at managing Lake District crowds, is ahead of Northumbria in producing a strategy document for the coming five years. Its long list of objectives - like opening up new areas, protecting and improving precious environments, bolstering traditional industries - ends with a plea for a first step in more realistic funding. "In order to obtain maximum public and government support for the tourism industry, they should be informed about what the needs of the tourism industry are...CTB and other agencies urgently need resources to implement this strategy."

Tourism in the North of England is more than a necessary curse. Its precisely-directed investment and its bias towards self-help have real-life implications for local communities. Cumbria and Northumbria tourist boards believe they are simply asking for better tools to get on with an important job.

**Robert Waterhouse**

Bio-technology

# Belasis spots a winner




NOT MANY companies operating in the realm of advanced technology issue open invitations - well, almost open - to all and sundry to come and share their hard-won knowledge. What. makes the Belasis Hall Technology Park on Teesside so unusual is that ICI has done just that.

Mr George Hunter, the technology park's chief executive, explains: "Anyone in the park will be free to knock on ICI's door.

"My role is to unlock the specialised expertise used within ICI in supporting its own businesses and make it available to the whole spectrum of tenants from small firms to branches of international companies."

Few small firms can afford an electron microscope, but would give anything to get at one for an hour or so a month, he adds.

A joint venture between ICI and English Estates, with substantial financial backing from both central and local government, the technology park comprises 167 acres of land dedicated by the company.

English Estates is building 50,000 sq ft of business accommodation known as Belasis Court. Finished in traditional red brick, the seven pavilions are set around a courtyard and range from rent-a-desk with common services up to a 10,000 sq ft block.

Although the first phase of building will consist of advance-built premises, there are also parcels of land, up to 15 acres, available for companies requiring purpose-built facilities.

These may be constructed by English Estates to a client's specifications and then leased to him, or the incoming firm may wish to build its own property. Mr Hunter says there are a number of options for future development of the park. He is actively seeking the involvement of venture capital.

The facilities ICI is willing to make available to incoming tenants include information technology, from plant control to the electronic office, and stretch from patent agents to the whole gamut of engineering disciplines.

The proximity of ICI's biological products business and the advanced materials research and development operation are seen as very significant attractions.

Companies setting up in the technology park will also benefit from close contact with the region's academic world. In 1983, the universities of Durham and Newcastle, together with the polytechnics of Teesside, Sunderland and Newcastle set up a collaborative working group known as Hesin (Higher Educational Support for Industry in the North).

Significantly, as its first venture in collaboration, Hesin chose biotechnology. With the arrival in the region of several specialised firms, such as Immuno-diagnostics, Marlborough Biopolymers and NBL Enzymes, and the presence of giants Boots and Glaxo, the North-East is already being seen as a major centre for the rapidly expanding UK biotechnology industry.

This strength is one on which Belasis Hall Technology Park clearly hopes to capitalise. Mr John Russell, ICI Biological Products general manager outlines some of the options:

"We focus on the success of the venture and are prepared to be flexible about the nature of our relationship. This can be a simple structured collaboration, a joint venture, a licensing arrangement or possibly contract work."

Mr Hunter admits that access to ICI know-how cannot be totally open-ended. If information could give commercial advantage to a competitor, there would be reservations. On the other hand, ICI would have to learn to live with worries about incoming firms headhunting the chemical giant's bright young men and persuading them to cross the road.

Construction of the first phase of the technology park by Wimpey has gone well and is ahead of schedule. The main buildings in Belasis Court were completed in three months and the moving-in date for the first tenants has been brought forward from May to March next year.

The first company has already been signed up and talks are under way with eight others about the facilities they require. Forty inquiries have been received, of which 25 look promising.

The Northern Development Company is helping with the marketing of the park, both in other parts of the UK and abroad. US inquiries so far include specialist engineering and health care companies. However, 70 per cent of inquiries have come from within 100 miles of Teesside.

It is accepted that not all tenants will want to tap-in to ICI. Some may just want to locate in high-quality buildings in a parkland setting, which is why £500,000 is being spent at the outset on landscaping, including the planting of 80,000 trees and shrubs to create a mature setting.

Belasis Hall is setting a trend in technology park concepts, asserts Mr Hunter, adding that he intends to keep it that way.

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**IHF**

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